


# L. R. B. & M. JOURNAL

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APRIL-JUNE 1958

The New Partners



The Cost-Reduction Program



Taxes and Khrushchev



Electronics Research Benefits Smaller Offices

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*Certified Public Accountants*

## *Table of Contents*

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The New Partners . . . . .	1
Norman E. Auerbach	
James P. Colleran .	
James E. Meredith, Jr.	
William W. Ragsdale, Jr.	
Paul M. Whitman	
 The Cost-Reduction Program . . . . .	 4
BY M. B. T. DAVIES	
 Taxes and Khrushchev . . . . .	 17
BY JAMES J. MAHON, JR.	
 Electronics Research Benefits Smaller Offices . . . . .	 26
BY JOHN J. FOX	
 The Prize-Winning Articles for 1957 . . . .	 40
 Editorials . . . . .	 41
The Lybrand Awards	
Mr. Perry Honored	
Mr. Stowe Joins Our Washington Staff	
Adam Averell Ross Memorial Prizes	
The Montgomery Prize	
 Speaking Engagements . . . . .	 43
 Professional Accounting Society Appoint- ments . . . . .	 49
 Notes . . . . .	 57

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## The New Partners

The firm is pleased to welcome into partnership Messrs. Norman E. Auerbach (New York), James P. Colleran (Cleveland), James E. Meredith, Jr. (Philadelphia), William W. Ragsdale, Jr. (Birmingham) and Paul M. Whitman (Cincinnati). Each has demonstrated through

long and effective service to our clients that he has well merited his admission to the firm, and we are confident that the increased responsibilities will be met with complete satisfaction to all.

ALVIN R. JENNINGS

### Norman E. Auerbach

Norman E. Auerbach was born in Minneapolis, Minnesota, on January 5, 1920. He attended public schools in Albany, New York, and was graduated from the University of Michigan with a Bachelor of Arts degree in 1941, and a Master's in Business Administration in 1947. Mr. Auerbach also attended the Harvard Graduate School of Business Administration and in 1955 received an additional graduate degree from St. John's University.

During World War II, he served as a lieutenant in the Navy, and saw duty in both the Atlantic and Pacific areas. He joined the staff of our New York office in February, 1947 and after an initial period of

4 years on the audit staff, he continued his association as a member of the tax department.

Mr. Auerbach is a certified public accountant and is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. He is presently serving on the State Society's Committee on Estate Planning. He is the Director of the firm's tax training program and for several years has been teaching taxation as an Assistant Professor at the Division of Advanced Studies at Pace College.

Mr. Auerbach is married, and has three sons.

### James P. Colleran

James P. Colleran was born in Youngstown, Ohio, on February 5, 1912. He received his early education in St. Edward and Rayen

schools there and was graduated from the University of Notre Dame with a Bachelor's degree in Business Administration. He joined the staff

of our Cleveland office in 1935 shortly after graduation. For the past ten years he has been Manager of the Tax Department.

Mr. Colleran is a certified public accountant of Ohio and is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants, the Tax Club of Cleveland

and the Cleveland Chamber of Commerce. For the past two years he has served on the Budget Committee of the Case Work Council of the Cleveland Welfare Federation and on the Board of Trustees of the Catholic Youth Service Bureau.

Mr. and Mrs. Colleran and their four children make their home in Rocky River, Ohio.

### **James E. Meredith, Jr.**

James E. (Ted) Meredith, Jr. was born September 22, 1920, in New York City. He was graduated from Mercersburg Academy in 1938, and received his B.A. degree from Harvard College in 1942.

During World War II, he served with PT Squadrons in the Southwest Pacific and Mediterranean Theatres. He was discharged in 1945 with the rank of lieutenant. He attended the first postwar class of the Harvard Business School and received his M.B.A. degree with distinction in 1947.

In June of 1947, he joined the Philadelphia office of the firm. Since 1952, he has been associated with the Management Services Department of that office.

He is a member of the American Institute of C.P.A.s and the Pennsylvania Institute of C.P.A.s and has served on several committees of the local Chapter of the latter. He is currently serving as President of the Philadelphia Chapter of the National Association of Accountants.

Mr. Meredith is also President of the Harvard Business School Club of Philadelphia, and Chairman of the Scholarship Committee of the Harvard Club of Philadelphia. He is a past president of the Mercersburg Academy Alumni Association.

Mr. Meredith was married November 14, 1944, and has a daughter, Louise, age ten, and twins, George and Sally, age 5, and lives in Strafford, Pennsylvania.

### **William W. Ragsdale, Jr.**

William W. Ragsdale, Jr. was born March 1, 1915 in Rutherford, New Jersey. He attended public schools in Rutherford and was graduated from Columbia College of Columbia University in 1937 with a

B.A. degree. He later continued his studies with Columbia University and was awarded his M.S. degree from the School of Business in 1947. At the University he was elected to Beta Gamma Sigma fraternity and





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## The New Partners



*Norman E. Auerbach*



*James P. Collieran*



*James E. Meredith, Jr.*



*William W. Ragsdale, Jr.*



*Paul M. Whitman*

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received the scholastic award of the New York Society of Certified Public Accountants.

After several years experience in industry and on the administrative staff of Columbia University, he joined the staff of our New York office in September, 1945 where he remained until December, 1950 when he became assistant controller of an industrial company. He rejoined the staff of our New York office in November, 1952. In November, 1956 he was transferred to our Birmingham office as Manager.

Mr. Ragsdale is a certified public

accountant of New York. He is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants, and the National Association of Accountants. He has been active in committee work for the New York State Society of Certified Public Accountants, and is presently a director of the Birmingham chapter of the National Association of Accountants.

Mr. Ragsdale is married, has three daughters, and resides in Mountain Brook, Alabama.

### **Paul M. Whitman**

Paul M. Whitman was born at Bloomdale, Ohio, on November 30, 1922. He attended Bowling Green State University, Bowling Green, Ohio, and was graduated with a Bachelor of Science degree in Business Administration. At the University he was a member of Sigma Nu fraternity, and was elected to membership in Sigma Honorary Society which is the University organization recognizing scholastic achievement in the College of Business Administration. In sports he was a member of the University track team. During World War II he was a commissioned officer in the U. S. Navy serving sea duty in both

the Mediterranean and Pacific Theatres of operations. He joined the staff of our Cincinnati office on July 1, 1947.

He is a certified public accountant of Ohio and is a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants and has served on various committees of the Cincinnati Chapter of the Ohio Society.

Mr. and Mrs. Whitman have an eight-year old son and a six-year old daughter. The family resides in Madeira, a suburb of Cincinnati, where they are active in civic, school and church activities.

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## The Cost-Reduction Program

M. B. T. DAVIES

(Tulsa Office)

Prosperity often breeds inefficiency. Under the cover of adequate profits, a business may accumulate—and overlook—areas of waste, inefficiency and unnecessary expense. The power to question these areas progressively wanes, and they are eventually accepted as normal operating conditions. The standards which they generate are built into the business budget, and continuing prosperity detracts from the incentive to take corrective action.

Consequently, a business recession arrives during a period of atrophy, when it is difficult to isolate and destroy these conditions. All too often, the realized need for reducing costs leads to panic action, such as:

Across-the-board reductions in manpower and budgets;

Postponement of important and necessary projects;

Excessive concentration on reducing insignificant cost items;

Curtailment of necessary services.

Seemingly, the ideal time for pursuing an active program of cost-reduction is during a period of prosperity. However, the incentive is then less pressing and methods, practices and policies leading to excessive costs may have become so deeply ingrained that the task of reducing costs is very difficult.

A cost-reduction program requires systematic planning and execution. In particular, it calls for:

An understanding of the causes of excessive costs,

Active leadership and support by the top management, and

Adoption and pursuit of effective measures.

### CAUSES OF EXCESSIVE COSTS

#### *Policies*

Management policies may create unnecessary expense. These policies may be inherently unsound, they may have been erroneously interpreted, or they may have become outmoded with the passage of time.

*Example:* The management sets a formula for deciding the annual limit of capital expenditures. If excessive, it may permit wasteful expenditures to be incurred; if inadequate, operating costs may be unduly high because of failure to modernize, replace or purchase equipment.

#### *Lack of management effort*

A constant drive is needed to seek out and eliminate unnecessary or excessive expense. Management failure—at any level—is a common cause for perpetuating inefficiency in this respect.

*Example:* Standard unit costs are used for appraising operating performance but do not reflect recent method improvements. Operating inefficiencies may thus be hidden under a cloak of false standards.

### *Inadequate planning*

Each change in operations and business conditions calls for plans to be re-evaluated. Changes in plans are sometimes overlooked; at other times they develop through a subconscious adherence to precedent. Unnecessary expense is a common result.

*Example:* A business introduces a second-line grade of product to supplement its original line. It paints, finishes and packages its new line according to existing specifications. However, less superior—and less costly—standards might be appropriate for its second-line products.

### *Empire-building*

Officials sometimes add to their subordinate work force and functions in an effort to increase their personal stature. This tendency may escape detection when business conditions are satisfactory and activity is on the increase.

*Example:* A home office industrial relations division has staff counterparts at each plant. Their work is similar, it overlaps, and active communications take place between the home office and plant staffs. Economy could be gained by centralizing the staff.

### *Lack of imagination*

Consistent exposure to a specific condition may cause one to accept it and fail to observe opportunities for improvement. The imagination becomes dulled, and potential savings are not realized.

*Example:* The manufacturing process requires a flow of semifinished products from one type of machine to another. Machines

are physically grouped by type for ease in supervision. By a change in plant layout and supervisory philosophy, it would be possible to group machines according to production-flow rather than type. This would eliminate excessive products movement within the plant, and permit better control of quantities of semifinished products.

### *Outmoded techniques and equipment*

Busy attention to its daily problems and tasks often prevents management from devoting sufficient time to the study of new developments and trends. Facilities for improving methods, techniques and equipment are constantly becoming available, yet their potentialities may not be fully explored.

*Example:* A large payroll department compiles data from timecards and job cards, calculates payrolls, distributes payroll expense and prepares pay checks—all by hand. Its work may be performed more accurately, more speedily and more economically through the adoption of punched card techniques.

### *Corporate fictions*

Many businesses are engaged in a multitude of operations, particularly when there has been a conscious move to diversify. Some operations are performed by corporations acquired through merger; others by separately created subsidiaries. A multiplicity of organizations and methods tends to be created and may be overlooked because separate corporate entities are involved.

*Example:* In a group of associated corporations there is a separate purchasing

department in each corporation. By combining these departments it may be possible to reduce administrative expenses, gain important advantages through combining purchasing power and ordering in larger quantities, and stimulate intercorporate transactions.

#### *Absence of incentives to save*

The business activity responsible for the production function is generally constantly aware of the need for controlling costs. Overhead departments, on the other hand, tend to emphasize the value of the services they provide and become less conscious of the need for controlling costs. After engaging in his "annual battle of the budget," indeed, the manager of an overhead department is frequently satisfied merely to operate within his budget; exceptional savings might prejudice his budget in the succeeding year.

*Example:* A company has a number of regional offices which process customer orders. By developing and publishing unit processing costs, it may instill a spirit of competition among the regional offices, provide an inducement to cut these costs, and establish keener standards for future budgets.

#### *Lack of supervisory perspective*

The pressure of daily routine and the inertia caused by adherence to accepted practice tend to reduce a manager's ability to review his operation objectively; chances to produce fundamental improvements are consequently passed by. His superior is often similarly placed, and unable to compensate for this loss of perspective.

*Example:* Excessive scrap and rework expense is caused by the adoption of unreasonable inspection standards. The situation may be disclosed by an inspection made by a home office team that provides an entirely fresh and independent viewpoint.

#### *Inadequate information*

Effective information is the springboard for productive action. Sometimes that information is not developed; at other times, even though available, it is not presented to the people who can use it to stimulate action.

*Example:* A multiple-plant company ships products on a nation-wide basis at uniform prices, F.O.B. destination, and absorbs transportation expense. Each plant develops statistics on the effective selling prices for each destination after providing for freight costs. The company traffic manager may be able to arrange for switches of delivery points among plants and thus reduce freight costs.

#### *Luxuries*

Certain expenses add to the comfort of working conditions and improve the morale of employees, customers and others. While not wholly necessary, they have a "public relations value" and may be justifiable in favorable times. However, they call for re-evaluation in a period of adverse business conditions.

*Example:* Regional salesmen's conferences are held annually at resort country clubs. The programs are spread over a period adequate to provide for relaxation and entertainment. As a result of reduced sales, it may be desirable to hold the meetings in company premises or nearby hotels, condense the programs, and let the salesmen know that country club meetings will be resumed when sales improve.



### *Unprofitable time*

Employees' time is generally fully occupied in a period of intense activity, and the work force grows to absorb the excess of work-to-be-done over available working capacity. With a downturn in business, a lag generally occurs before the work force is reduced. The extent of unprofitable time, particularly in overhead activities, is not readily discernible because work tends to be done more slowly and otherwise idle time is camouflaged.

*Example:* Invoices are prepared at decentralized sales offices. By keeping statistics of the relationship of invoice volume to paid man-hours, the company should be able to compare present with past productivity and to appraise the performance of one office against another. As minutes-per-invoice become excessive the company should order staff reductions.

### *Slack buying practices*

Under the pressure of active business conditions, a purchasing department may be compelled to adopt short-cuts, to buy in inappropriate quantities, to devote inadequate care in securing bids, and to spend insufficient energy in exploring markets and consulting with suppliers.

*Example:* A company buys parts for its manufacturing operations according to standards defined by its engineers. The purchasing agent may invite its suppliers to visit the plant, watch its operations and meet the plant management. He may explain the urgent need for reducing costs and call for the suppliers to make a contribution. By careful examination of specifications and

discussion of alternatives, the suppliers may be able to produce a less costly product by fabricating it to less exacting or less expensive standards.

### *Overstocking*

The hazards of excessive or ill-balanced inventories are less apparent when sales are rising, when an atmosphere of optimism prevails, and when the principal concern is to be prepared to meet every sales opportunity. An unfavorable business trend often develops with dramatic suddenness. Inventories reach disproportionate levels; slow-moving stocks, obsolescence and spoilage become matters of greater concern; and a drive is instituted to reduce inventory levels. Changes in inventory policy should then be explored.

*Example:* Inventories are carried in ample quantities at decentralized warehouses, supplied from a centrally located plant. It may be desirable to reduce decentralized inventory levels and make greater use of central storage facilities. The total inventory investment may then be reduced and production schedules geared to a level where greater protection is afforded against excessive inventories in the face of a falling market.

### *Inefficient routines*

The methods of performing repetitive tasks, though individually insignificant, may have an important collective influence on costs. When the methods are first installed it may not be possible to visualize the ultimate volume, and, as the activity expands, the basic methods may

be insufficiently questioned. Potential savings may be gained through work simplification, elimination of routines, combination of tasks, or discovery of duplicated effort. However, the necessity for the over-all activity should be studied before attention is given to the methods involved.

*Example:* A shipping order, bill of lading and invoice are each prepared for every outgoing shipment; where items are not immediately available, a back order requisition is also initiated. It may be possible to originate a single all-purpose document to meet all these needs, using a reproducible "master" for recording the essential data. This should reduce clerical time and eliminate transcription errors.

#### *Watered budgets*

The budget is sometimes an illusory standard for controlling expense. Budget requests frequently include margins for "contingencies" which are not entirely eliminated in the budget reviews. In itself, the budget provides an adequate measurement device only when linked in with a factor based on volume.

*Example:* A drafting department has successfully requested an increased budget. However, its costs may be evaluated when expressed in terms of cost per authorized drawing produced. If this factor is introduced, department expense may be subjected to a dual type of budgetary control, one expressed in terms of absolute dollars and the other based on productivity.

Here, then, are some of the major causes which should be explored in an endeavor to reduce costs. But the process of seeking them out will

generally be burdensome and may not develop at the pace necessary to produce substantial savings rapidly. A coordinated and systematic approach therefore becomes a necessity.

#### MANAGEMENT'S ROLE IN STIMULATING ACTION

The management should control a cost-reduction program through exercising broad supervision rather than by becoming involved in its routine aspects. It should define targets rather than specify detailed methods; it should review progress rather than penetrate deeply into individual problems.

In developing and executing a program of this type, it will generally have a fourfold task:

1. It should specify the objectives to be achieved.
2. It should define the reasons for the program and formulate the general course of action to be pursued.
3. It should assign responsibilities for getting the work done.
4. It should review achievements, exercise follow-up action and recognize individual and collective performance.

#### *Specifying the objectives*

The savings targets should be determined first. A profit-and-loss projection should be made, based on expected business conditions, with the underlying assumptions slanted pessimistically rather than optimistically. The projected profit or loss thus developed should be compared with the desired profit;

the difference will disclose the extent of the savings required to achieve a satisfactory profit.

Potential savings should then be estimated for each significant organizational unit. The aggregate of these potential savings will differ from the tentative target previously calculated, but the two amounts will provide the extremes of a range within which a target should be established.

After additional refinement, savings targets should be produced in separate amounts for each significant organizational unit, the total representing the aggregate business target. Organizational objectives need not be substantiated by detailed estimates, although reasons should be provided to justify their general magnitude. The managers should be shown the complete picture, including their own targets in relation to the total business objective and that objective as an influence on the profit-and-loss projection.

#### *Announcing the policy*

The program should be announced affirmatively and convincingly. It should preferably be presented by the chief executive officer orally before his key officials. They should be made to understand that the cost reductions are regarded as essential and that their own departmental contribution is imperative to achieve the total objective. Where operations are dispersed,

visits should be made to outlying officials, or other suitable means, such as telephone or closed-circuit television should be used. The presentation should be as simple and inexpensive as possible, because of the adverse morale effect of too elaborate an exposition.

Each organizational chief should understand that he may call on all available resources of the organization in attaining his target. He should be encouraged to use bold and unconventional measures, subject only to policy checks at the appropriate level. He should also recognize that a shifting of costs organizationally will be acceptable only if its total effect will result in net savings.

Time limits should be set for the production of results. These limits will naturally tend to vary directly with the magnitude of the savings desired.

#### *Assigning the responsibilities*

A twofold approach is generally desirable for assigning responsibilities for reducing costs. Each organizational chief should, in the first place, be allotted a savings target. It should be his sole responsibility to see that the target is achieved. Then, in addition, staff support should be provided so that the organizational chiefs can receive maximum assistance. Because of the certainty of heavy demands on staff services, the staff organization will need judicious handling.

Organizational savings targets should apply both to line and staff functions. However, where costs are dependent on volume, the method of expressing savings targets will necessarily be different from those concerning functions whose costs are relatively constant.

Organizational chiefs should be encouraged to delegate authority and gain maximum support from their subordinates, and interdepartmental cooperation should be fostered in attacking problems of common interest.

A manager may miss opportunities to produce savings within his own department because he operates within a framework of policies and philosophies from which he finds it difficult to emerge and adopt a detached viewpoint and perspective. Because of this, the supporting staff organization may profitably be used to ramrod the over-all program.

The staff organization should be small, compact and hard-hitting. Its head should be a man of stature who has the confidence of the chief executive officer and his top executives. While the program is in effect, he should report directly to the chief executive officer; and, in a program of any substantial size, he should be relieved of all other duties and devote his full energies to it. His responsibilities should be clearly defined and made known to key people in the organization. These responsibilities should include such tasks as the following:

1. Act as the chief executive officer's principal representative in coordinating the program;
2. Assist in providing for changes of policies necessary to produce savings;
3. Consult with and, where necessary, guide departments in achieving results;
4. Assist departments in providing technical and professional help beyond their available facilities, whether from central staff facilities, elsewhere within the organization, or the engagement of outside specialists;
5. Coordinate interdepartmental relations and mediate, as necessary, in any disputes;
6. Receive, review and publish progress reports.

In a business of sufficient size, it may be desirable to provide a group of people with varied backgrounds and specialties to give full-time assistance to the coordinator. Line, as well as staff, people should be considered in this connection, and the employment of outside specialists should not be overlooked. The group should be given facilities to require priority assistance from specialized departments, such as industrial engineering, product design, operations research, purchasing, traffic, systems and procedures, accounting, engineering, and research. The maximum impact of available talent should be brought to bear in attaining the targets.

#### *Maintaining impetus of the program*

Results gained through the program should be recorded and conveyed to all organizational chiefs. This will not only preserve good

communications, but will also engender competitive spirit.

When individual tasks are successfully completed, they should be reported to the coordinating unit. The budgets of the departments concerned should be reduced to the extent of the estimated savings, and performance should be watched to be sure that savings materialize.

The coordinating unit should publicize steps taken to produce savings so that other departments can capitalize on these ideas and apply them to meet their individual needs. One-time savings should also be reported. Even though they may not produce permanent or continuing benefits, they should nonetheless be recognized as a contribution.

Periodic reports issued by the coordinator should display the percentage progress made by each department toward its target. The coordinator or his staff should visit the department managements constantly, particularly those whose progress is unsatisfactory. He should make sure that interest in the program is being maintained; he should discuss projects on hand and under consideration; he should assist in pooling company-wide experience and skills; and he should see that adequate follow-up is exercised in installing approved projects.

The management should recognize individual and collective achievements in reducing costs. While monetary reward may some-

times be suitable, the effects of a personal letter from, or an interview with, the chief executive officer should also be considered. An interesting advantage to be gained from a program of this nature is the disclosure of hitherto undiscovered talent; and the management should be prompt to recognize it.

Finally, a basic organizational concept should be followed. With responsibilities lying in the hands of organizational chiefs and a program coordinator, the top management should allow them a broad scope of action. Good communications between them and the top management should be preserved, but the latter should endeavor to remain free from involvement in routine features of the program.

These four broad courses of action should be pursued by the management in initiating and conducting a program for reducing costs. It may now be appropriate to examine some guides to be followed for producing maximum tangible results in a minimum of time.

#### INSTALLING MEASURES TO REDUCE COSTS

Certain ground rules may profitably be observed in searching for opportunities to reduce costs. All who are actively concerned in the program should understand them.

##### *Get reliable information*

The availability of accurate and meaningful information is a funda-

mental need. Some may be available through the customary record-keeping; on the other hand, much may need to be accumulated through one-time studies.

Effort should be devoted first to those areas where the savings potentialities are the greatest. It may require comprehensive analysis of operating statistics to show exactly where these areas lie. Operating data, to the fullest practicable extent, should be presented according to organizational segments; the economics of each organizational unit can then be studied separately.

External statistics are useful for comparisons. Inventory turnover rates in comparable industries, costs of producing purchase orders, costs per automobile mile, etc., may provide valuable yardsticks in reviewing the efficiency of internal operations. However, the fundamental risks in using this type of statistical information should be recognized.

#### *Seek out sacred cows*

Almost every business has its sacred cows—operations, people, policies or groups whose usefulness is considered to be above question. A concentrated effort should be made to identify them, to plumb the reasons for their existence, and to explore the possibility of change.

Pet projects of individual executives are a common source of origin of these sacred cows. The originator should be prepared to accept ques-

tioning in an open-minded manner; and the questioning itself should be diplomatic. Changes may involve breaks with long-established precedent or tradition, and those changes may be hard to accept, even though they entail savings.

#### *Segregate direct and indirect cost activities*

The approach to direct cost savings will differ materially from the approach to gain reduction of indirect costs. A clear distinction should be observed, and direct costs should be interpreted in their narrowest sense—in terms of labor and materials that form the cost content of the product. "Direct overheads," such as foremen's compensation, supplies, maintenance, power and depreciation, should be regarded as an indirect expense.

Direct costs require examination in terms of the physical content of the manufactured product, the quality and content of the component materials, and the labor involved in fabrication. Indirect costs, on the other hand, call for a consideration of methods and other forms of control. Is it necessary, for example, to employ so many foremen? Can power costs be reduced by modifying the boiler system? Are monthly statements to all customers necessary when ten-day credit is standard? Can record-keeping needs be reduced by simplifying the basis of compensation?



*Examine the sales picture*

In exploring the opportunities for reducing costs, attention should be paid to sales features.

An expansion of sales would spread the overhead load more finely. Are all opportunities being seized here—for additional product lines, for different grades, styles or colors, for hitherto underdeveloped markets, for better methods of distribution?

The cost of the product in relation to its market should also be considered. Where, for example, packaging and wrapping are significant costs, is there a potential market for a lower-priced unpacked or unwrapped product? Conversely, could a new luxury market be developed with a different product finish, different style or added features?

Then, too, the cost of selling should be examined. Many opportunities exist here. Greater concentration or dispersal of sales centers, sales compensation more closely tied to sales performance, changes in credit practices, changes in sales organization, all provide examples of matters that might warrant review.

*Start at the top and work downwards*

Radical and dramatic steps are sometimes needed to cut costs. The more fundamental the action, the greater is the likelihood that it will be outside the framework of thinking on which the search is based.

As a consequence, before examining possibilities within any function or activity, the reason for its very existence should first be questioned.

An advertising department, for example, may be unjustified if the advertising agency carries the load of the work; a container plant may be uneconomic if containers can be purchased advantageously from other sources; a research department may not be paying its way; a shipping department may be unnecessary if the warehouse can ship directly and avoid dual handling. Each activity, both "operational" and "overhead" should be scrutinized critically to see whether it can be eliminated.

Where elimination is not desirable, the inside working of the activity should be questioned. For example, is the department overmanned? Is each operation entirely necessary? Are work methods economical? Is there superfluous paperwork? Is work being duplicated? Are all expenses thoroughly justified? Is the cost of supervision too heavy? The manager of the individual department cannot always answer these questions in an unbiased manner. For this reason, the coordinating unit previously discussed should devote some of its time to a review of each departmental activity.

*Inquire into the cost of information*

Whenever information is required it entails effort—and therefore cost.

New records—and additional paper-work—may have to be created, or existing records reprocessed. When information is required more rapidly the costs tend to mount with it. More paper, more people, more machines, more storage facilities, and, as a result, more money are needed to fulfill these informational needs.

Before examining the cost of producing information, therefore, the need for the information itself should be questioned. This should be extended to cover deadlines, reporting frequencies, the degree of accuracy required, and the form of presentation. A ruthless reduction of the reporting system can produce surprising economies in overhead expense.

While the mechanized processing of information often lowers costs, there are times when it increases them. These mechanical methods should be critically examined and their cost should be compared with that of alternative manual methods.

#### *Devote emphasis to profitable activities*

Lucrative discoveries may sometimes be made in connection with activities acknowledged to be unusually profitable or efficient, or where costs are consistently lower than budgeted. The reputations earned by these activities may have created a type of umbrella that has shielded them from close investigation. On the other hand, activities

of an average, borderline or uneconomic nature are generally studied more frequently and more closely. As a result, opportunities for improvement sometimes lie in areas where they are least expected.

Those functions of a business which produce exceptional profits, or which compare favorably with competitive enterprise, or which have grown considerably, or which consistently perform better than budgeted, all should be subjected to close review.

#### *Explore potentialities through experimentation*

Productive ideas are sometimes discarded because of the risk that attaches to them. To protect against this contingency, limited experimentation should be applied. Of course, reasonable steps should first be taken to reduce the risk factor to a minimum.

Experimentation offers particular advantages where:

1. the sales operation is decentralized;
2. there is a wide range of products;
3. there are several plant operations;
4. individual segments of the business may safely be subjected to test without disturbing other segments; or
5. the potential savings are so great that inherent risks are worth accepting.

Experimentation is worth attempting on a limited basis even when a full-scale change is approved. This better enables initial difficulties to be overcome before they assume company-wide proportions.

Costly mistakes, too, can be limited if a testing period precedes full-scale adoption.

When sample operations are tested, it is desirable, where possible, to apply the tests in more than one location so that initial results can better be evaluated. It is desirable, too, to conduct the experiments with the cooperation of people who are anxious to make them a success. This avoids resistance at the outset and provides standards for later achievement.

#### *Investigate one-time action opportunities*

There may be opportunities for one-time profits or for the elimination of continuing losses through taking one-time losses. These opportunities are not always readily determinable from a review of operations or operating statistics.

Examples are: (1) reduction of slow-moving or obsolete inventories; (2) disposal of fixed assets or investments; (3) refinancing of long-term debt. The long-range effects of these actions will need study, as will the tax aspects.

In assessing the desirability of discontinuing product lines or subsidiary activities (whether or not corporately distinct), it should first be ascertained that the operation is truly unprofitable and is not merely so from a bookkeeping viewpoint because of the method of apportioning overhead expense.

#### *Re-evaluate top level policies*

The ramifications of management policies on operating results are fundamental. Nevertheless, they are sometimes accepted through tradition or because of an emotional distaste for questioning them. There are those that originated through conditions that no longer exist, or because of personal idiosyncracies, or to counter competitive conditions that have since changed. A change in policy can often produce a much greater effect on profits than can a change in procedures.

Policies may be in the form of unwritten laws and, even when in written form, may not be entirely comprehensive. Their very existence may not be apparent until it is realized that they constitute a barrier against a proposed course of action. And this realization may not even occur, because conflict with existing philosophies precludes consideration of that action.

The fresh and independent viewpoint needed to re-evaluate company policies may not exist among the staff responsible for heading the cost-reduction program. For this reason, the engagement of outside consultants may produce a more extensive viewpoint and reveal opportunities that would be overlooked by company men.

#### SUMMARY

The development and installation of measures to reduce costs is never

a simple or painless task. Personal preserves may be trespassed; human feelings may be excited and disturbed; information may be inadequate, or opinions distorted; above all, job security may be endangered.

The success of a cost-reduction program will depend largely on the attitude of top management. A clearly defined program is needed; targets should be attainable, and efforts made to see that they are

achieved; a firm attitude is needed, and progress should be followed with exacting care; where progress is slow, pressure should be exerted, and ruthless action should be taken when the occasion demands.

The greater the need for cost-reduction, the more unpleasant the task becomes. But, once the program is started, it should be pursued with an irresistible drive until its objectives have been accomplished.

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## **Taxes and Khrushchev**

BY JAMES J. MAHON, JR.

"We will make war on you through peaceful trade to see which system is the best."

These words were spoken several months ago by Nikita Khrushchev—and the implications of his challenge are apparent to every thoughtful American.

The aggressive Russian policy is being implemented by offers of financial and technical assistance to under-developed countries on a government-to-government basis. The extent of this assistance may be gathered from *Time Magazine* of January 13 of this year which stated that the Soviet bloc has aid agreements with eleven uncommitted nations; its scientists and technicians are spread throughout eight more. In addition the Russians have given \$1½ billion worth of agricultural machinery for a state-operated mechanized farm in India, not to mention \$270 million in credits.

The same magazine tells of Red generosity to Egypt where an additional \$175 million in credits has been accepted by Nasser despite a previous disillusioning experience in a \$250 million barter deal of Egyptian cotton, for deficient crude oil, coarse newsprint and Israel-captured Czech arms. Afghanistan, half of whose foreign trade is now with Russia, has received \$145 mil-

lion in Soviet Credits. An offer of a \$100 million loan had been tendered to, but had not yet been accepted by Indonesia.

Closer to home, the Soviets have shown interest in Brazil with an offer of technical aid and equipment to Petrobras, the government-owned agency for the location and exploitation of Brazilian oil.

### **U. S. STATE DEPARTMENT PLAN FOR MEETING THE CHALLENGE**

This Russian foreign economic campaign has not been met with indifference by our own government. On January 8, 1958, Douglas Dillon, Deputy Undersecretary of State for Economic Affairs in an address given in Philadelphia, commented on the State Department's plans to meet the Soviet challenge. The Department is developing a forward-looking and consistent trade policy, particularly toward the lowering of tariffs and other artificial trade obstructions. The Deputy Undersecretary also expressed hope of furnishing technical knowledge to less-developed countries.

Financial assistance, Mr. Dillon said, not of the Marshall Plan type, but on a more business-like basis would be another weapon used in this economic warfare. Assistance would take the form of export-import bank loans, development

loan fund advances, and increased direct private investment by American business—not on a government-to-government basis, nor a government-to-business basis, but on a business-to-business basis. By its nature, and because it worked before in cementing a once undeveloped group of territories into forty-eight homogeneous states of the U. S.—this is probably the most important single method of selling our system to the world as “the best.”

It is noteworthy that the State Department looks to American business for the implementation of the most important facet of its plan—the making of increased direct private investments abroad. Whether U. S. industry will respond may largely depend upon whether the usual risks of foreign operation (e.g., seizure, sequestration, blocked currencies, etc.) are to be offset by tax advantages in foreign operations. The point is, that if there are to be tax benefits in foreign operations, as contrasted with domestic, U. S. business will respond with increased foreign investments—otherwise, it will not. And taxes are definitely an important factor!

#### TAXES NOT A FACTOR IN PRE-WORLD WAR OPERATIONS ABROAD\*

Prior to World War II, taxes were not a factor in encouraging U. S. business to invest abroad.

\*See *Foreign Investment and Taxation*, Barlow and Wender, Chapter 2; and *Promoting United States Private Investment*

During the 20's and 30's U. S. corporation income tax rates were not nearly as high as they are now. They generally ranged from 12 to 19 per cent, as compared with the present 52 per cent rate. Since they weren't uncompetitive with most foreign rates, they didn't provoke a flight of capital, and income, to foreign countries. Rather, American corporations invested abroad as a natural consequence of some phase of their domestic operations.

As a matter of fact, the vastly greater part of American operations was conducted by the corporate “giants”—and not by the rank and file of American corporations. Indeed, even in 1950, less than one-half of one per cent of over 550,000 American corporations had investments abroad—and a large proportion of these were known to have no foreign investments outside of Canada. What's more, 93 per cent of the value of direct foreign investments of U. S. corporations in 1950 was held by 442 companies; 62 of these companies held over 70 per cent of the foreign investment by corporations; and 10 companies accounted for about 40 per cent of the total investment!

These corporate “giants” would include such companies as United Fruit, Cerro de Pasco, the Standard Oil Companies, Texas Company, Armour and Swift, duPont, Inter-

*Abroad*, National Planning Association, for much of the material contained in this section.



national Harvester, General Motors and Ford, Goodyear and Firestone, Eastman Kodak, International Telephone & Telegraph, American & Foreign Power, and Woolworth and Sears, Roebuck.

If taxes were not a factor—what then did motivate such companies as these in making large foreign investments? Usually, the decision to invest abroad was a natural consequence of some phase of their domestic operations.

Those that were engaged in the extraction of natural resources, either for sale or for use as a raw material in their manufactured product, simply sought additional sources of minerals and petroleum wherever they occurred. And, since rich deposits occurred just as frequently, if not more so, in foreign countries as in the United States, large American extractive industries expanded into these foreign areas with substantial investments in exploration, extractive and preparation facilities. The same was true of companies dealing in agricultural products. Thus, even in the early part of the century before World War I, when the United States itself was still largely a capital-importing country and its own natural resources were being exploited with the aid of foreign capital, a considerable part of U. S. investment capital in turn was going into the development of the natural resources and agriculture of foreign countries. And, co-incident therewith, large invest-

ments were made in foreign railways, port facilities and pipe lines to transport and handle the product.

Examples of these investments were the mining enterprises in Canada and Latin America, the branching out of the American packing industry in South America, the Central American banana enterprises and the sugar plantations in Cuba. And the continued foreign expansion of American mineral and agricultural producers is well known—and is primarily motivated by the desire for raw material sources.

Those companies that were engaged in manufacturing also invested abroad as the natural consequence of their domestic operations, primarily for the protection and maintenance of foreign markets. Usually these markets were established initially by exports from the United States. However, because of the threat of local or other foreign competition, or as the result of foreign tariffs or import controls, assembly or manufacturing plants generally were required to be established in foreign countries to maintain or expand these markets. Indeed, import restrictions forced many American manufacturers with existing foreign assembly plants to produce more and more of the constituent parts of their products in foreign plants.

This emphasis on investment in foreign manufacturing activities as contrasted with natural resources and agriculture began soon after

World War I when American manufacturers began the production of agricultural implements, shoe machinery, cash registers, telephones, automobiles and electric refrigerators in Europe and certain British Dominions. And the continued further expansion of American-made plants into other areas of the world up to 1950 is well known—and was similarly motivated by the desire to maintain or expand foreign markets.

Thus, up to about 1950, foreign investment was motivated by the desire for raw materials and the maintenance and expansion of foreign markets. Taxes simply were not a factor. What's more, the level of U. S. direct investments abroad by 1950 was not significantly higher than in 1929. While the dollar balances were \$7.5 billion in 1929 and \$11.8 billion in 1950—it is likely that when expressed in terms of 1950 dollars, they would be about the same.

(A table summarizing U. S. direct private investments abroad by industry and by area at selected dates from 1897 to 1955 appears as Appendix I hereto.)

#### TAXES NOW ARE A FACTOR IN FOREIGN INVESTMENT AND OPERATIONS

Taxes are now a factor in determining whether to operate abroad—and how. Indeed they tend to furnish some stimulus to U. S. corporations to increase direct invest-

ments abroad—and if Congress were to amend the tax law in accordance with recommendations made by various interested groups, an even greater stimulus to foreign investment would result.

*The 52% U. S. Corporation Income Tax Rate Not Competitive with Those in Many Countries:* First of all, the present U. S. corporation income tax rate of 52% is generally not competitive with rates in most foreign countries. Except for such highly developed countries as Canada, the United Kingdom, West Germany, and Austria, where the tax rates approximate those in the United States, most countries, and particularly the lesser-developed countries industrially, impose taxes at substantially lower rates than those in the United States. For example, the Bahamas, Bermuda and Uruguay impose no income tax. Rates in Haiti run to a maximum of 30%, in Liberia to 25%, Netherlands Antilles to 24%, Venezuela to 26%, Costa Rica to 30%, Nicaragua to 18%, Philippines to 28%, Bolivia to 25%, Brazil to 20%, Colombia to 31 $\frac{3}{4}$ % and Paraguay to 17%.

Secondly, some countries, in addition to having low tax rates on income derived from sources within the country, impose little or no income or capital taxes on income of domestic companies derived from sources *outside* the country. These countries of late have been termed "tax sanctuaries" or "tax havens."

Better known examples of such countries are Panama, Liberia and Liechtenstein. Corporations organized under the laws of these countries are not taxable on income derived from sources outside the respective countries. Thus, dividends received by a Panamanian corporation on stock in a corporation located in still another foreign country are not taxable in Panama.

Finally, some countries, eager for investment by American corporations, offer certain tax concessions, and indeed even complete exemptions to foreign businesses newly locating therein. Puerto Rico is an example. It offers virtual freedom from Puerto Rico taxation to American industries establishing manufacturing plants therein and meeting certain other requisites such as the employment of Puerto Rico nationals.

Such are the most important basic differentials between U. S. taxation and that of many foreign countries. These differentials, which tend to favor foreign countries, are furnishing increasing incentive to American business to establish operations abroad.

#### SOME FEATURES OF THE PRESENT U. S. TAX LAW FAVOR FOREIGN OPERATIONS

Despite the recommendations by several responsible groups that the U. S. tax law be amended to offer greater tax incentives to foreign investment, there are some features

of the *existing* Internal Revenue Code which tend to favor foreign operations.

While it will be seen that there may be a distinct U. S. tax advantage in operating through a foreign subsidiary, there also may be some tax advantage to a domestic parent conducting particular foreign operations through unincorporated branches. Certainly, if losses are anticipated during the early years of foreign operations, it is advantageous to have such losses underwritten by the United States Government to the extent of the 52% tax rate and deducted from the otherwise taxable income of the U. S. parent. This is possible where such losses are those of a branch and not those of a separate corporation. Also, an extractive industry entitled to the benefits of percentage depletion for U. S. tax purposes will benefit from operating its foreign extractive operations through branches of the U. S. parent company—because the branches' percentage depletion is available to the parent.

Generally, though, where profitable operations are conducted abroad, there is a distinct U. S. tax advantage derived from operating through a foreign subsidiary. This is because of the operation of the foreign tax credit. It permits a domestic corporation to take credit against its U. S. tax for foreign income tax paid by its foreign subsidiary. As a result, dividends received from the foreign corpora-

tion are taxed in the United States at somewhat lower effective rates than those applicable to domestic income—indeed the effective over-all U. S. and foreign rate may be as low as 45% as contrasted with the usual 52% rate. This maximum tax benefit from the receipt of foreign dividends is realized when the tax rate in the foreign country is exactly one-half the rate applicable to domestic corporation income—i. e., when the foreign rate is 26%.

Actually, the principal advantage of operating through a foreign subsidiary, and particularly one subject to low foreign taxes, is the opportunity to reinvest the low-taxed foreign profits in other foreign operations *before* they are subject to U. S. tax; that is, before they are “pulled-down” by the American parent as dividends or in liquidation. The potential benefits are greatest where the foreign subsidiary is incorporated in a “tax sanctuary” or “tax haven” country such as Liechtenstein, Liberia or Panama—although more about “tax haven” companies later.

Finally, there are several specific provisions in the United States Internal Revenue Code granting tax relief to certain types of U. S. companies operating abroad and otherwise meeting certain stringent requirements. These include the Western Hemisphere Trade Corporation, which is granted a U. S. rate concession of about 14 percentage

points (to about 38%); and the “possessions corporation” which is exempt from U. S. income tax. However, as a practical matter, the conditions imposed upon the former and the geographic restrictions of the latter have resulted in both methods being little used.

*Potential Tax Benefits from Foreign Operations Receiving Increased Attention from Corporate Management:* The potential tax benefits from operating abroad, and particularly those from establishing subsidiaries in foreign tax havens, have recently inspired a great deal of publicity—in *The Wall Street Journal*, in lectures, and in technical papers and pamphlets. And, many medium-sized companies, encouraged by the possibility of avoiding high U. S. taxes and obtaining before-tax capital, are “getting their feet wet” and venturing into foreign operations on a fuller scale. The degree of these new foreign operations vary. Some are simply selling agencies for U. S. manufactured products. Others are foreign assembly plants of U. S. manufactured components. And still others are almost self-sufficient manufacturing plants established in foreign countries. Except for the extractive operations of the extractive industries, these operations generally are being conducted through newly organized foreign corporations—and published reports seem to indicate the growing popularity of the tax

haven-based holding company to hold the investments in these operations abroad.

Thus, it seems apparent that taxes have become a factor in foreign operations—and that the recent spectacular increase in U. S. direct private investments abroad may be attributable, in some part, to the growing recognition that there may be potential tax benefits from foreign operations.

#### THE TAX FACTOR AS A FUTURE INCENTIVE TO FOREIGN INVESTMENT AND OPERATIONS

Whether the tax factor will provide an incentive to further foreign expansion by American industry in the future depends upon two agencies—the U. S. Treasury and Congress. The Treasury's attitude in administering the existing provisions of the tax law favoring foreign operations can have an encouraging or discouraging effect on American business' future actions, and Congress' action in either granting or not granting additional U. S. tax concessions on income earned abroad can similarly affect business decisions.

The ostensible tax benefits hoped for by American industry are not necessarily a "sure thing." The Treasury has accelerated its scrutiny of the methods established for foreign expansion by American industries. When a newly established foreign corporation is deemed to be a sham, organized solely for the

purpose of diverting domestic taxable income to foreign countries, the Treasury has the power under Code section 482 to subject such income to U. S. taxes. Whether the Treasury and the courts will be "tough" or "moderate" in reviewing these cases is conjectural—opinion ranges in both directions; and even if the dignity of a foreign corporation is ultimately respected, purchases and sales between the domestic and foreign companies may provoke a question as to the fairness of prices charged or paid by the American company and the resultant reasonableness of the allocation of net income between the two entities. If there is deemed to be an unreasonable "assignment" of income to the foreign subsidiary, the U. S. parent can be subjected to tax thereon—and "reasonableness" may be a rather nebulous thing. If the Treasury's policy in these things is unduly restrictive, the hoped for tax benefits will abort and taxes may furnish less of an incentive to invest abroad—at least under the present provisions of the law.

#### *Possible Congressional Action:*

Several presidential commissions and private organizations, such as the International Chamber of Commerce and the National Foreign Trade Council, have recommended the reduction or elimination of corporate taxes on income earned abroad as a powerful incentive to private foreign investment. These

recommendations have taken several forms: the complete exemption from corporate income taxes of income earned abroad;<sup>1</sup> partial and selected reductions;<sup>2</sup> a reduction in the corporate rate by at least 14 percentage points on income from investment abroad;<sup>3</sup> and the deferral of U. S. taxes on that portion of income from direct investments abroad which is reinvested abroad.<sup>4</sup>

The very authority of these groups and the weight of their rec-

ommendations undoubtedly will earn Congressional attention and possibly action during the forthcoming session. If so, uncertainty concerning present tax advantages may be dissolved, and then taxes will loom even more important and certain as a factor influencing U. S. direct investments abroad.

Certainly additional private foreign investment is most desirable—if not absolutely essential to the United States' future well-being as a world power. Tax incentives can stimulate such investment. Even the deferral of U. S. taxes on foreign income which is reinvested abroad would provide a powerful incentive—and with little or no ultimate loss of revenue to the Treasury. As a minimum, Congress should so provide during the coming session.

1. International Development Advisory Board (1951).
2. The Gray Report (1950); and the Paley Commission Report (1952).
3. Randall Commission on Foreign Economic Policy (1954); Richard Nixon (1957).
4. Barlow and Wender; and National Planning Association (1957).



## APPENDIX I

U. S. DIRECT PRIVATE INVESTMENTS ABROAD (BILLIONS OF DOLLARS)—BY INDUSTRY AND BY AREA  
SELECTED DATES—1897 TO 1955

Year	Amount Available	Price Deflators (Where Available)	Amount in 1955 Dollars	By Industry					By Area				
				Mining and Smelting		Petroleum	Manufacturing	Public Utilities	Other	Canada	Latin America	Western Europe	Other
				\$ .1 (17%)	\$ .1 (17%)								
1897...	\$ .6	....	....	\$ .1 (17%)	\$ .1 (17%)	\$ .1 (17%)	\$ .2 (33%)	\$ .1 (16%)	\$ .2 (33%)	\$ .3 (51%)	\$ .1 (16%)	.....	
1914...	2.7	....	....	.7 (26%)	.3 (11%)	.5 (19%)	.4 (15%)	.8 (29%)	.6 (22%)	1.3 (48%)	.6 (22%)	\$ .2 ( 8%)	
1919...	3.9	....	....	.9 (23%)	.6 (15%)	.8 (21%)	.4 (10%)	1.2 (31%)	.8 (21%)	2.0 (51%)	.7 (18%)	.4 (10%)	
1929...	7.5	1.742	\$13.1	1.2 (16%)	1.1 (15%)	1.8 (24%)	1.6 (21%)	1.8 (24%)	2.0 (27%)	3.6 (48%)	1.4 (18%)	.5 ( 7%)	
1943...	7.9	....	....	1.0 (12%)	1.4 (18%)	2.3 (29%)	1.4 (18%)	1.8 (23%)	2.4 (30%)	2.8 (35%)	2.0 (25%)	.7 (10%)	
1950...	11.8	1.129	13.3	1.1 ( 9%)	3.4 (29%)	3.8 (32%)	1.4 (12%)	2.1 (18%)	3.6 (30%)	4.7 (40%)	1.7 (15%)	1.8 (15%)	
1955...	19.1	1.000	19.1	2.2 (12%)	5.8 (30%)	6.3 (33%)	1.6 ( 8%)	3.2 (17%)	6.5 (34%)	6.5 (34%)	3.6 (19%)	2.5 (13%)	

Compiled from and subject to notes to data appearing in:

*Foreign Investment and Taxation*, Barlow and Wender, Exhibit 2, page 11.

*Promoting U. S. Private Investment Abroad*, National Planning Association, Tables 2 and 8, pages 18 and 26.

## Electronics Research Benefits Smaller Offices

BY JOHN J. FOX

During recent years, business has been confronted with constantly increasing work loads. The proportion of clerical workers to non-clerical workers has steadily risen. This is a matter of great concern and becomes a matter of greater significance when declining business volume is reducing profit. Control and reduction of clerical cost and paperwork becomes especially significant under these circumstances.

The most significant of recent developments in the war on paperwork is the development of electronic computer systems for business applications. Many of the larger industries have installed million dollar computer systems and publicized substantial resultant savings. The owners of small and medium sized businesses have read of these developments with great enthusiasm, only to learn that the price of the equipment is out of their reach.

All of this publicity devoted to the high priced electronic computer systems has obscured the tremendous impact on small and medium sized businesses of improvements in conventional office machines and systems techniques resulting directly or indirectly from the research involved in electronic computer installations. Even the smallest of

businesses can share in the benefits resulting from the study and research required for developing and installing electronic computer systems in the large business organization.

Perhaps the greatest benefits of recent research and developments in system techniques are in the field of integrated or automatic data processing which has also been widely publicized in connection with electronic computer installations. Integrated or automatic data processing is the gathering and original recording of data in a form that permits the processing of that data for several different purposes without any intermediate manual transcriptions. Not only is integrated data processing particularly important in an electronic computer installation where millions of dollars worth of equipment capable of producing thousands of answers a second must wait on the relatively slow processes of converting data to a form acceptable to the equipment, but it is also important in the mechanical and manual installations of any office. Integrated data processing applies to all forms of data processing—electronic, mechanical and manual.

Executives responsible for controlling clerical costs and improving

profits should be aware of improvements resulting from recent research in:

1. Streamlining office methods
2. Automatic paper tape or card punching
3. Conventional office machines
4. Automatic data processing with conventional office devices
5. Reporting to management
6. Applying science to solution of business problems.

#### STREAMLINING OFFICE METHODS

Experiences with preliminary studies for electronic computer installation in many companies have disclosed the need for substantial system improvements before an electronic computer could be effectively employed. Most companies making such studies have found it necessary to improve clerical processes before the electronic equipment could be economically employed. Those most concerned with the economic justification of computer installations have projected startling savings in clerical costs, but in many instances, a substantial portion of the savings has been attributed to improved procedures and methods rather than to the equipment itself. In one instance, a very substantial portion of the projected clerical savings was achieved even before the computer was delivered. These savings could have been achieved independently of any computer installation.

Such experiences with electronics simply point up in a dramatic

fashion a conclusion which has long been accepted by experienced procedure analysts, i.e., mechanical equipment is only a part of a system and no installation of equipment should be undertaken without a thorough consideration of the related factors of work flow, work load, input media and output media. The desired results of more rapid data processing and clerical work reduction are often more closely related to methods and procedures revision than to the equipment.

The lessons to be learned from these experiences are:

1. You don't need an electronic computer installation to realize savings from methods improvements, and conversely,
2. Any installation which superimposes new devices on existing methods and procedures, while it may result in some cost savings, usually does not realize the maximum cost savings because it tends to perpetuate the inefficiencies in the previously existing methods and procedures.

#### AUTOMATIC PAPER TAPE OR CARD PUNCHING

Punched card accounting has benefited greatly from recent research. The office equipment industry has developed and introduced a host of new devices which mechanically provide a link between conventional office machines and punched card equipment. These devices automatically create punched cards or punched paper tapes at the same time as the original data are being recorded on

source documents in the conventional office machines. Obviously these devices practically eliminate the clerical time previously required to key punch the data into the punched cards from the source documents and to verify the accuracy of the key punch.

These devices are now on the market in quantities and are finding acceptance for many diverse operations in relatively small office operations.

Some of the common office machines which can be linked to punched paper tape or punched cards with such accessory mechanisms include:

Typewriters	Adding machines
Bookkeeping machines	Calculators
Cash registers	

Let us consider some representative examples of conventional office machines equipped for producing punched paper tapes or punched cards.

The Flexowriter is a typewriter which can be activated by a pre-punched tape or it can produce a tape as a by-product of a normal typing operation. This machine might be used by a typist preparing a customer order in this manner:

1. Insert a prepunched customer master tape or edge punched card to cause the typewriter to record the standard customer information on the form.
2. Manually type the variable information such as date, order number, description, quantity, etc., on the form.

So far, a large part of the typing (40 to 60 per cent) has been done automatically at a high rate of speed (100 words per minute). Only the manually typed data need be checked for error. At the same time that the order is being prepared, another punched paper tape is being created from which punched cards may be produced or another Flexowriter actuated to rewrite the data.

In multiple location businesses, this tape could be either mailed or telegraphically transmitted and reproduced over a public or private communications network to a central control location. The tape, when received, could be processed through a "tape to card" converter which would provide punched cards for processing on punched card equipment into analysis reports. This procedure would accomplish the dual purpose of eliminating the manual duplication of basic data, with its inherent risk of transcription errors and minimizing the cost of key punching and verifying operations.

The tape might even be put to the further use for automatically typing other documents such as factory orders, shippers and invoices.

A variation of this hypothetical application might be producing two tapes at the originating point, one containing all the data shown on the order, the other, which would be punched on an auxiliary perforator,

containing only selected data for statistical purposes.

In this hypothetical application, the data is "captured" at the point of origin as a by-product of a normal typing operation; typing time is saved; key punch and verify time is minimized; current reports rather than historical records are produced; and customer service is improved.

Sylvania Electric Products Inc. and Aluminum Company of America are notable large company users of the communications network technique in data processing. The latter, long before it moved in the direction of electronic data processing, utilized a system of transmitting paper tape records of sales orders over a communications network to a central location in Pittsburgh. At the central point, the incoming tape was used to activate a Flexowriter which automatically typed out the sales order. At the same time another tape was punched which was then used to transmit the order to the plant or warehouse to which it was assigned. Here, other required documents were produced, together with a new tape for preparing shipping documents, invoices, etc.

While this is a somewhat sophisticated installation, and perhaps not economically feasible in its entirety for all smaller organizations, it does serve to illustrate the possibilities of integrated data processing between multiple locations.

More than twenty years ago Remington Rand introduced a machine designed to automatically produce punched cards as a by-product of a billing application. This principle has been developed and widely expanded in recent years so that smaller offices which cannot economically justify tabulating equipment find these devices highly practical to produce data on punched cards which can then be submitted, as desired, to a tabulating service bureau for preparation of various analyses reports.

Leading posting machine companies have similarly developed accessory equipment which will produce punched paper tape or punched cards as a by-product of posting operations on conventional accounting machines.

Systematics, Inc. has developed and marketed a device adapted to N.C.R. model 31 machines which directly punches selected data on I.B.M. cards automatically while normal postings are being made on the accounting machine.

The National Cash Register Company has introduced a special design banking machine for savings accounts which records old balance pick ups, deposits or withdrawals, interest credits or payments, new balance and account number. Other developments include cash registers with five or eight channel tapes, multiple totals, and media readers. The media reader in combination with the N.C.R. 6000 class cash

register can automatically complete a sales distribution, sales audit, and inventory control distributions. The media reader, originally designed for department store use to automatically read merchandise tickets, is now being extended to industrial applications for recording material releases and other inventory control problems.

In the field of retailing, marking machines which produce punched card garment tags are now available. As a result, the information coded on the tags can now be processed directly through punched card equipment to provide management with sales data for control purposes, on an up-to-the-minute basis and at a lower cost.

The potential of this equipment for expediting data processing can best be illustrated by reviewing a few actual installations.

A retail store was confronted with a problem concerning the audit of sales slips. Basically, this was an adding machine operation; however, a substantial amount of rehandling and reclassifying of the original data was required to provide other data for sales analyses, inventory control, and buying functions. After consideration of the reporting requirements, a system was developed which incorporated a key driven adding machine with a punched tape attachment. As the sales slips were added, supplemental identifying information was also introduced into the machine which then pro-

duced not only the sales slip totals, but also simultaneously and automatically punched all the information on a paper tape. By use of a "tape to card" converter, the information was then automatically placed on punched cards for processing in any desired form. Through this technique, reports for sales analysis, inventory control, buyer information, sales tax, federal tax and sales volume were all mechanically produced from the single manual recording of the source data.

Another installation involves a multiple location manufacturing firm which required daily current operating data relating to production by department and job number for each plant. A system was developed whereby each plant submits totals of its daily production tickets prepared on a conventional office machine to which is attached an automatic paper tape punch device. As in the retailing example, identifying information as to the job and department number is entered on the machine along with the basic data. The punched codes on the paper tapes, which are automatically produced at the time of recording the original documents are transmitted over a leased communication line and reproduced at the company's central office each day. Tapes from each location are fed into a tape reading typewriter to produce the required daily reports, following which the tapes are run through a "tape to card" converter for subse-



quent tabulating of various analysis reports.

It should be noted that both Western Union and Bell Telephone have specially designed equipment available for reproduction of punched (and magnetic) tape over communication lines between remote locations. Card to card transceivers connecting locations separated by a few or thousands of miles are also available. On this equipment, a control switch permits direct voice communication or automatic data transmission, selectively, on the same circuit.

#### CONVENTIONAL OFFICE MACHINES

The intensive research which has produced the electronic computers for business and the paper tape and card punching conversion devices is currently resulting in greatly improved office machines in price ranges which medium and small sized companies can afford. Many of these developments involve the incorporation of electronic circuitry in conventional office machines. Some are new developments of general purpose office machines while others are specialized machines which can produce great savings in the specific types of operations for which they have been designed.

Significant improvements in the general purpose posting machines have resulted from the intensive rivalry between the leading companies in the field. In addition, a

number of European manufacturers are now marketing improved book-keeping machines in the United States, some of which are available at relatively low prices and are worthy of consideration for simple applications.

The heavy volume of paperwork required in the banking field has caused equipment manufacturers to devote a substantial portion of their research to the development of equipment designed to specifically fill the requirements of banks. Some of this equipment will also be of great value in non-banking situations where the clerical processes have similar characteristics to those in banks. The National Cash Register Company has introduced a "Postronic" machine, and the Burroughs Corporation has introduced a "Sensitronic" machine. These machines incorporate certain electronic circuitry in machines designed for ledger posting operations. Both machines feature automatic amount, number, item counts and account balance from magnetic code strips on the reverse of the ledger card. In a typical operation, the ledger card is inserted into the machine. The account number is manually registered by the operator. If the account number registered by the operator agrees with the account number coded on the ledger card, the machine will immediately and automatically enter the old balance and item count to date. The operator then enters the present day's



items and the machine automatically enters the new balance and item count. These machines are equipped with proof devices such as automatic locks if the account numbers do not agree. This equipment will be of value in any situation where high volume posting is required.

Another interesting innovation for processing banking documents is the check-encoder and check reader-sorter recently demonstrated by International Business Machines Company. This equipment will encode checks with magnetic ink imprinted binary coded decimal notation and will read or sort by sensing this binary notation. It is also capable of reading and sorting on preprinted information. This equipment can be used in conjunction with punched card, magnetic tape or magnetic storage equipment. It should be noted that this equipment operates on binary coded characters; however, the American Bankers Association has insisted that any equipment used by banks should encode the checks with magnetic ink imprinted Arabic characters and be capable of reading and/or sorting by sensing these Arabic characters. Similar equipment is now in process of development by National Cash Register Company which will operate exclusively on Arabic characters. It would appear that the encoder and reader-sorter should be applicable to other businesses, especially in de-

partment stores for sales audit and accounts receivable applications.

The I.B.M. electronic tabulation typewriter is another office machine incorporating electronic circuitry. This typewriter is equipped with a brush sensing device which sweeps the surface of the form being typed and automatically stops the carriage movement at any one of several electrically conductive vertical ink lines on the form. Insurance companies and others having substantial volumes of form typing operations will be able to eliminate a substantial portion of the typing time consumed in manually tab setting typewriters. Reductions in typing time of up to 25 per cent have been claimed by the manufacturer.

Except for the check-encoder and reader-sorter which are not on the market, all of the described devices are available at prices which are economically feasible in medium sized and small companies. Research activities in the office equipment field are proceeding at a high rate and continued equipment innovations and improvements can be anticipated.

#### AUTOMATIC DATA PROCESSING WITH CONVENTIONAL OFFICE DEVICES

Integrated or automatic transmission of data from one clerical operation to another can be economically achieved in even the smallest of companies through the use of properly designed forms involving

the use of carbon papers and/or one of the many reproducing processes. Ditto, Ozalid and Multilith are three of the several processes available alone or in combination with snap-out forms to minimize unnecessary copying of data.

One of the common applications for this type of equipment is in the field of sales order, shipper and invoice preparation. You will readily appreciate that in many companies, these documents, plus bills of lading, packing slips, shipping labels, etc., contain constant repetition of certain data: customer's name, address and order number; description of item; quantity ordered; sales terms; shipping instructions, etc. Many systems provide for manually copying identical data on a number of uncorrelated and different documents at various times during their processing. Each transcription, in addition to being a duplication of effort, presents the possibility and even probability of human error in transcription, making it necessary to introduce additional verification steps.

A common system for reducing unnecessary transcriptions is to type the incoming order when received on a master capable of being reproduced in one of the systems mentioned. At subsequent points in the process, variable data such as quantity shipped, quantity back ordered, selling price and extensions are added to this master without

ever manually transcribing the constant data.

In a variation of this system, the original order is written on a snap-out form, one copy of which can be used as a master for subsequent reproduction.

Another simple form of integrated data processing is accounts receivable applications in which a reproduction of the customer invoice becomes the accounts receivable ledger file copy. Firms such as Remington Rand, Diebold, and many others are providing the necessary filing equipment for such systems. There are very real savings from systems applications of this type in some relatively small companies.

The pegboard is another application for automatically transcribing data from one operation to the next in the smaller company. It is quite evident that many adaptations for this equipment have been overlooked in the past as was indicated by the interest shown by the small businessman employing from 10 to 50 people at a recent trade association conference. The pegboard is a device for positioning several forms on a board in such a manner that identical data are entered on several related documents simultaneously. This device is most widely used for payroll work where simultaneous entries are recorded on a pay stub, a payroll register and an earnings record card. This elimi-

nates two transcriptions of identical data. The same principle can be applied to accounts receivable, accounts payable and other accounting processes. For the small business that cannot afford more expensive accounting machines, this system is ideal because of the low capital investment required and the great productivity increase when compared with entirely manual methods. Business men may well wish to consider the application of this method to certain lower volume operations currently placed on bookkeeping machines, particularly where machine schedules are crowded. In many larger companies having tabulating or bookkeeping machine systems, the pegboard is ideal for use on confidential payrolls.

Another device useful in the small office is the edge punched card. This is a document form which provides a means for recording numerical data on the card by notching holes along the side of the card. By the use of a needle, the cards can be sorted and re-sorted into various classifications for summarization of data. Prominent applications for the device include sales, labor and cost distributions. The edge punched card can be characterized as the poor man's punched card. Where punched card versatility is required but volumes do not warrant the investment required in electric tabulating equipment, the edge punched card may be the

answer. Roll up peg strips and a combination of peg strips and edge punched cards are variations worthy of consideration.

Another innovation to accounting applications is the use of microfilm, not as a part of a records retention program but as an active partner in the processing of accounting data. Several applications have recently been publicized, one of which relates to cycle billing. In this system, the sales tickets, when recorded on the customers' statements, are microfilmed and the tickets are mailed to the customer, leaving the store with only a microfilm record of the transaction. This eliminates the original preparation of a retained copy of the sales ticket and eliminates a bulky and costly filing problem. In another application, employees' clock cards are microfilmed, which permits the timecards to be destroyed shortly after the preparation of the payroll, again eliminating a bulky storage problem. The economical use of this application is, of course, dependent upon minimum need for access to the microfilmed record and a filing system which makes the microfilmed record readily accessible.

The cost conscious office executive in addition to remaining constantly alert to new equipment development should be familiar with cost reducing applications of existing equipment. Ingenious uses of many items of office equipment are

constantly being developed with the objective of reducing costs or improving services.

Dictating equipment, for example, has been adapted to many interesting office applications. The many fine, low priced dictation machines now on the market are gaining increasing acceptance as a means of not only increasing executive productivity but also reducing stenographic costs. The busy doctor or professional man now frequently dictates a statement of charges for each patient in a few seconds for later transcription onto an invoice by his secretary, increasing the portion of his valuable time available for treating patients. In one steel mill, an application of dictating equipment was developed with the objective of reducing paperwork by foremen. A means was provided for foremen to transmit certain data by telephone from any point in the plant to centrally located dictating machines. A stenographic corps at the central point then prepared move orders, requisitions and other documents.

Another equipment field in which technological progress has been outstanding has been the copying equipment field. Many companies are competing with machines utilizing different processes such as the Diazo (Ozalid and Bruning), Facsimile, Photocopy, Thermo-Fax, Verifax and Xerography. Each of these processes will produce copies of documents but have varying charac-

teristics. The Diazo (Ozalid) process, for example, is exceptionally fast and inexpensive but has the limitation that the original copy must be on translucent paper, making this process unsatisfactory for such tasks as making additional copies of incoming correspondence. It is well adapted, however, to various accounting processes where the original media can be controlled.

The Photocopy process, on the other hand, is relatively expensive (8 to 10 cents per copy) but can produce faithful copies of almost any type of document. It is very useful in an office for copies of correspondence, accounting schedules, charts, and other uses. Public accounting firms find a very practical use for a photocopy machine for making copies of revenue agent's reports and various charts and graphs.

The Thermo-Fax is an excellent process producing less costly copies than the Photocopy process but has the limitation that certain colors do not reproduce well.

Xerography is a particularly significant process in large office operations. This process is similar to photocopying but can make offset and spirit masters, positive-working offset plates, and translucent copies for the Diazo process. It can enlarge and reduce. Claims of annual cost savings of hundreds of thousands of dollars have been made for this process in the automobile industry alone. Among the publicized applications are inexpensive blueprint

reproduction and processing changes in parts lists and catalogues. It is also used in one major automotive company in the consolidation section where financial statements of individual plants and divisions are peg-stripped, crossfooted to produce division or company totals, and then through the Xerography process, a master is produced through which consolidated statements are rapidly prepared for distribution to executives. This automotive company claims that a world-wide consolidation can be made in 2½ hours and that delivery of financial statements has been expedited. This process has been credited not only with a cost savings but also with speeding the delivery of financial statements.

#### IMPROVEMENTS IN REPORTING TO MANAGEMENT

Recent advances in office equipment, including improved computing and data processing equipment, have made it economically feasible to supply management with current facts for making business decisions on a timely basis. The ultimate profit contribution available from improved data for decision making, usually far exceeds the profit contribution available from clerical cost reduction.

High-speed computing equipment has brought into focus the responsibility of office management for organizing data as a part of the decision making process. This process can be simply illustrated by

considering the record keeping problems in controlling a nationwide parts inventory of several hundred thousand items maintained throughout the country in regional warehouses. Under a manual system, hundreds of clerks are employed in maintaining inventory records, both in the field warehouses and in the central procurement office. Under an integrated system, daily transactions from all parts of the country are transmitted to a central computing activity where a large scale electronic computer processes each day's transactions. Inventory records are updated, balances remaining after each day's transactions are compared with predetermined maximum and minimum limits, and a written report is prepared for each part requiring some executive action, such as replenishment orders, disposition of overstocks, etc. Under this system, the executives concerned are promptly advised of the particular parts that require executive action and are not distracted by reports on the tens of thousands of items where no action is required.

The foregoing example illustrates the technique that has come to be known as "management by exception." This technique is based on the premise that management is not concerned with the tens of thousands of record cards that require no action; but management is very intimately concerned with the smaller number of records that indicate a need for replenishment action or

some other management decision. Although the illustration given is based on the experience of a very large company, utilizing an electronic computing system, the technique of "management by exception" is also applicable to small companies. In most instances, management is not concerned with an aged listing of accounts receivable balanced to a control account; but management is interested in the particular accounts where customers have not paid their bills when due or where shipments exceed authorized credit limits. Management is not concerned with expenditures which are within authorized limits; but it is concerned with expenditures which exceed the budgeted amounts.

An effective program for office mechanization demands that the system be designed to produce a required answer. Standard data patterns should be established and reports should be designed which provide management with the information required to assist in making decisions. In many instances, greater cost reductions are available through eliminating reports which do not lead to management decisions than through finding faster ways of producing unused information.

An additional consideration in systems design that is not essentially different from the foregoing, is the consideration of timeliness. Data required for management decisions is only useful for that purpose if the data is in the hands of the proper

persons prior to the time when a decision must be made. In many instances, mechanization of office procedures can be justified solely on the basis that mechanized methods can process data and prepare reports in a timely manner. It will be readily recognized that if a payroll cannot be processed in time to have checks available for employees on pay day, an equipment investment would be warranted regardless of cost considerations. It is sometimes not so easily recognized that a delay in processing invoices or customer statements may delay the receipt of collections from customers. Undue delays in processing payments to vendors may be costly in terms of discounts lost and may even impair the company's credit rating. Many companies have installed mechanized systems, and many more should be installed, for the primary purpose of expediting informative reports to management on a timely basis. Certainly stale financial facts are just as distasteful as stale bread and just as uninteresting as last week's newspaper. Specially designed systems of management reports are a total failure unless essential facts reach management in sufficient time for management to do something about them.

#### APPLYING SCIENCE TO SOLUTION OF BUSINESS PROBLEMS

An important recent development in the science of business management has been the application



of the research techniques of the physical sciences to the solution of business problems. This is commonly referred to as operations research. Persons trained in the sciences have combined their efforts to seek out the best solution to particular problems. Groups of scientists have applied their analytical techniques and skills to solving many diverse problems in the fields of production, marketing, advertising, shipping, inventory control, warehousing and other business fields. The results of such scientific research techniques have been to translate particular problems into a quantitative form capable of mathematical solutions. The resultant solutions, in many instances, have produced remarkable savings but the mathematical computations involved in arriving at the solutions are frequently so complex that the answer can be ascertained only after months or years of calculation on conventional calculating equipment. Now such calculations can be performed in a matter of hours or minutes using high-speed electronic computing systems.

A typical example of a business problem which lends itself to mathematical solution is commonly referred to as the transportation problem. Let us assume that a particular company has ten plants and ten products manufactured by the company. Each of the ten plants is capable of manufacturing each of the ten products. Transportation

costs of the finished product to the company's sales outlets will be minimized by manufacturing the ten products in the nearest manufacturing plant to each sales territory. However, this may result in short runs of each product at all plants with a resultant increase in overall production costs. Maximum productive efficiency can be achieved by producing a different product in each of the ten plants, but this saving in production costs is obviously at the expense of increased transportation costs. Additional savings may be made by programming longer runs of specific products and stock-piling the quantities produced. This, however, introduces a factor of additional cost related to investment in inventories, obsolescence, etc. This problem can be reduced to mathematical form through evaluating the incremental cost of transportation, investment and production costs for each of the ten products in each of the ten plants.

The type of situation outlined in the transportation problem is one that faces companies with multi-plant locations. In most companies, the production control manager or some other responsible executive sets up schedules of production that, based on his judgment and past experience, produce economical quantity runs, minimum investment in inventories and minimum transportation costs. However, as schedule decisions are not made by the use of refined scientific formulae,

the result achieved is not the best possible solution to the specific problem. Scientific techniques applied to transportation and other similar problems in many companies have resulted in solutions that are demonstrably better in terms of cost reduction and contribution to profit than the solutions arrived at by other processes.

Some of the best work in this field has been done on inventory type problems involving the measurement of opposing costs, as for example, the excessive cost of short production runs as opposed to the cost of an increased investment for carrying inventories. A variation of this problem is found in the studies which some airlines have made to determine the frequency with which training schools for stewardesses should be held. In this problem the reduced unit costs resulting from larger training classes have been weighed against salary cost of waiting time until excess trainees are assigned.

Among those most skilled in the field of electronic computers and management sciences, many believe

that the real benefit of computers to business will be increases in profits resulting from the scientific solutions of common business problems. Increases in company profit from mathematical techniques may easily exceed increases in profit expected from reducing clerical costs. This is another contribution of the electronic computer to modern business management.

Applied science is a tool of modern management that is not restricted to large companies who own or rent electronic computers. Small companies as well as large have available to them for use on scientific problems the computer facilities of service bureaus and research centers. The analysis of data and the subsequent development of mathematical formulae requires specialized knowledge and skill. While large companies may employ research groups skilled in these techniques, smaller companies can avail themselves of similar services on a fee basis from many accounting and consulting firms, as well as university research centers.

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## The Prize-Winning Articles for 1957

The firm is pleased to announce the winners for the best articles by a staff member published during 1957 in *The Journal of Accountancy*, the L. R. B. & M. JOURNAL, and in the National Association of Accountants' *Bulletin*. The selections are made by well-qualified persons not connected with our organization, and are as follows:

### THE JOURNAL OF ACCOUNTANCY:

First Prize—\$1,000. Awarded to GILBERT R. BYRNE for his article entitled "The Independent Auditor and Internal Control."

Second Prize—\$500. Awarded to RAYMOND E. GRAICHEN for his article entitled "Today's Depreciation Deduction."

### THE L. R. B. & M. JOURNAL:

First Prize—\$1,000. Awarded to ARTHUR WITTENSTEIN for his article entitled "Recent Developments Concerning Gifts to Minors."

Second Prize—\$500. Awarded to WILLIAM T. BARNES for his article entitled "Tax Problems in Deferred Pay Arrangements."

### N. A. A. BULLETIN:

First Prize—\$1,000. Awarded to HAROLD G. HUNSBERGER for his article entitled "What Integrated Data Processing Aims At."

## Editorials

### **The Lybrand Awards for Cost Accounting Literature**

Each year the President of the National Association of Accountants appoints a committee to select the winners of the Gold and Silver Medals and twenty certificates of merit in the Lybrand Awards manuscript competition. The Awards Committee for 1957-1958 was made up of three men who have long served the Association with distinction in high posts. They are William T. Brunot, Chairman, Controller of the Reynolds Metal Co., Robert B. Service, Jr., formerly Internal Auditor of the Norton Company, and Leonard E. Zastrow, Assistant Controller of the Bucyrus-Erie Co.

The Gold Medal was awarded to John H. Kempster, Staff Assistant to the Controller, Dennison Manufacturing Company, for his article entitled "Economic Yardsticks in Management Reports." The Silver Medal was won by Arthur S. Wells, Jr., a member of the Standard Cost Department of Tennessee Eastman Company, for his article on "Economic Analysis for Better Investment Decisions."

The awards were established in 1949 by the partners of Lybrand, Ross Bros. & Montgomery in honor of Mr. Lybrand's many years of service in furthering the aims of the organization.

### **Mr. Perry Honored**

The late Donald P. Perry was named to the Accounting Hall of Fame at The Ohio State University on May 15, 1958. Donald G. Perry accepted the award on behalf of his father.

### **Mr. Stowe Joins Our Washington Staff**

Clifford W. Stowe, Assistant Commissioner of Internal Revenue for Operations since June, 1956, retired on April 30 to join the staff of our Washington office.

Mr. Stowe, who was first appointed an Internal Revenue Agent in the Detroit District in 1928, advanced through various field office assignments until he came to the National Office in 1946 as a member of the Excess Profits Tax Council. Later he served as Assistant Deputy Commissioner of the Income Tax Unit and as Head of the Technical Staff, now the Appellate Division. He was Director of the Appellate Division when he was made Assistant Commissioner.

In recognition of his 30 years of distinguished service, Mr. Stowe received both the Treasury Department's Meritorious Civilian Service Honor Award and the Albert Gallatin Award. These were presented to him by Under Secretary of the Treasury Scribner and Com-

missioner Harrington, respectively, at a recent dinner in his honor.

#### **Adam Averell Ross Memorial Prizes**

In 1939, Mr. T. Edward Ross, in memory of his brother, Adam Averell Ross, established annual prizes for outstanding students of the Wharton School of Finance and Commerce of the University of Pennsylvania.

The prize for 1957-1958 for the graduating senior who showed the most promise in the field of accounting was awarded to Mr. Earl Spokane, of Pittsburgh, Pennsylvania.

The prize to the student in the

Graduate Division majoring in accounting who presented the best thesis for the Master of Business Administration degree was awarded to Mr. Ralph Piersall, of Philadelphia, Pennsylvania.

#### **The Montgomery Prize**

The winner of the Montgomery Prize for 1957-1958 was Mr. B. Peter Gold. The prize was established in 1916 by Colonel Montgomery to be awarded annually to the member of the graduating class of the School of Business at Columbia University who specialized in accounting and who was deemed by the staff of the School to be the most proficient in all courses.

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## Speaking Engagements

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
Jan.			
8	James M. Nicolai, Los Angeles	National Automotive Muffler Association, Annual Meeting, Los Angeles	1958, The Year for Business Planning
8	J. Martin Conder, Louisville	South End Optimist Club, Louisville, Ky.	Are You Paying Too Much Income Tax?
8	James J. Mahon, Jr., Philadelphia	Philadelphia Chamber of Commerce, Forecasting Conference	Foreign Operations and Federal Taxes
13	Herman C. Heiser, E.D.P.D.	Creditmen's Association of Eastern Pennsylvania, Industrial Credit Group, Philadelphia	Scientific Financial Management
14	Bill Goodner, Birmingham	Howard College, Birmingham	Federal Taxes—Assessment, Col- lection and Appeals Procedures
14	Raymond E. Graichen, Philadelphia	Pennsylvania Institute of C.P.A.s, Pittsburgh Chapter	Pennsylvania Corporate Taxes
15	Herman C. Heiser, E.D.P.D.	N.A.A., Raritan Valley Chapter, Metuchen, N. J.	Streamlining Accounting Procedures for Automation
15	Norman E. Auerbach, New York	N.A.A., Norwich, Conn., Chapter	Various Methods of Pricing Inventories and Their Pitfalls
16	Godfrey W. Welsch, Dallas	N.A.A., Fort Worth Chapter	Auditing for Taxes
16	Philip L. Defiense, New York	Pace College, Department of Ac- counting, Finance and Manage- ment, New York City	Concepts of Cost Accounting and Control
16	James J. Mahon, Jr., Philadelphia	N.A.A., Philadelphia Chapter	Taxes
20	John J. Fox, Detroit	N.A.A., Kansas City Chapter	New Machines and Techniques to Improve the Existing Account- ing and Reporting System
21	John C. Padgett, Cleveland	Bowling Green State University, Beta Alpha Psi, Bowling Green, Ohio	Career Opportunities in Public Accounting
21	Samuel F. Mirandy, New York	N.A.A., Bridgeport, Conn., Chapter	Tax Problems of the Corporate Official
23	John W. Conrad, Chicago	The Strowger Club of the Automatic Electric Company, Franklin Park, Ill.	The Hoover Commission Report
25	Lawrence E. Frazee, Rockford	N.A.A., Rockford Chapter	Federal Budget and Federal Tax Reduction Plans
27	James P. Colleran, Cleveland	Middleburg Heights Kiwanis	Federal Income Taxation
28	Thomas W. McKibben, Tulsa	Tulsa Tax Club	Code Section 751—Unrealized Receivables and Appreciated Inventory
29	Edward F. Habermehl, Philadelphia	National Office Management Association, Philadelphia	What the Office Manager Should Know About Taxes
Feb.			
10	Raymond E. Graichen, Philadelphia	N.A.A., Williamsport, Pa., Chapter	Everyday Tax Problems
11	William G. Casey, Philadelphia	American Association of Hospital Accountants, Annual Institute on Accounting and Manage- ment, Philadelphia Chapter	Information Required by the Comptroller to Best Aid Management



<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
Feb.			
14-15)	William T. Barnes, Washington, D. C.	The George Washington Univ. Law School and The Federal Bar Assn., 5th Annual Institute, Washington, D. C.	Comparison of Cost Principles for Procurement Purposes with Tax and Renegotiation Treatment of Selected Cost Items
16	Godfrey W. Welsch, Dallas	N.A.A., Houston Chapter	Auditing for Taxes
18	James F. Falls, Jr., Los Angeles	University of California, The Accounting Society, Los Angeles	What Attributes Large Account- ing Firms Look For in Junior Accountants
18	Richard L. Denney, New York	N.A.A., Long Island Chapter	Current Highlights in Federal Income Taxation
18	John Dudenhoffer, St. Louis	Logan Basic College, St. Louis	Business Procedures
18	Donald W. Schroeder, San Francisco	Associated Wholesalers, Inc., San Jose, Cal.	Bookkeeping and Accounting Pro- cedures in Connection with Credit and Collection
18	H. O. Reyburn, Tulsa	N.A.A., Tulsa Chapter	The C.P.A. Examination and How to Pass It
18-20)	Louis J. Schaumburg, Howard L. Swiger, Rockford	Rockford Chamber of Commerce, Career Conferences	Career Opportunities for Accountants and C.P.A.s
24	Edgar E. Hoppe, Dallas	National Association of Electrical Contractors, Dallas	Federal Tax Problems for Trade Associations and Related Matters
26	Willis K. Waterfield, Cincinnati	Xavier University, Xavier Accounting Society, Cincinnati	The Profession of Accounting
26	Herman C. Heiser, E.D.P.D.	National Machine Accountants Association, Boston Chapter	Management's Responsibility in E.D.P. Programs
27	Harry C. Zug, Philadelphia	Accounting Clubs of Franklin & Marshall College and Elizabeth- town College, Mt. Joy, Pa.	The Public Accounting Profession
Mar.			
4	Alvin R. Jennings, New York	Maryland Association of C.P.A.s, Inc., Baltimore	Discussion of A.I.C.P.A. Matters
4	Glenn O. Petty, Philadelphia	University of Delaware, Accounting Club, Newark, Del.	Opportunities in Public Accounting
4	Lambert H. Spronck, San Francisco	Systems & Procedures Association of America, San Francisco Chapter	How to Start a Budget Program
6	Edgar E. Hoppe, Dallas	Richardson Lions Club, Richardson, Tex.	Tips on Income Tax Savings
6	Herman C. Heiser, E.D.P.D.	General Electric Company, Forest Hills, N. Y.	Seminar on Budgets and Measurements
7	Godfrey W. Welsch, Dallas	Thomas Jefferson High School, Dallas, Tex.	Choosing a Career
7	Ralph P. Kulzer, Pittsburgh	New Kensington High School, New Kensington, Pa.	Accounting as a Career
11	Theodore R. Pleim, New York	American Society of Women Accountants, New York Chapter	Profit Planning Through Budgeting
11	Philip J. Taylor, Philadelphia	LaSalle College, Accounting Society, Philadelphia	Careers in Public Accounting
12	James L. Waterbury, Chicago	Downers Grove High School, Business Department, Downers Grove, Ill.	A Career in Accounting

## Speaking Engagements

45

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
Mar.			
13	M. B. T. Davies, Tulsa	Institute of Internal Auditors, Tulsa Chapter	Auditing for Management
15	John J. Fox, Detroit	University of Michigan, School of Business Administration, Sys- tems and Procedures Associ- ation of America, Motor City Chapter, Detroit	Systems and Procedures Objec- tives, and the Writing and Publication of Procedures
17	James J. Mahon, Jr., Philadelphia	St. Joseph's College, Alumni Accounting Association, Phila.	Taxes and Khrushchev
19	Frank H. Gafford, Birmingham	N.A.A., Florida West Central Chapter, St. Petersburg	Effective Accounting Procedures
19	Herman C. Heiser, E.D.P.D.	N.A.A., Des Moines Chapter	Direct Costing
19	James J. Mahon, Jr., Philadelphia	Tax Executives Institute, Philadelphia Chapter	Current Tax Developments
20	Alvin R. Jennings, New York	American Institute of Certified Public Accountants, Mid-Year Committee Meetings, Washington, D. C.	Discussion of A.I.C.P.A. Matters
21	Eugene F. Warren, Cincinnati	Delta Sigma Phi Fraternity, University of Cincinnati Chapter	Living With Taxes
24	William F. Scheid, Jr., William B. Keast, Philadelphia	Pennsylvania Institute of C.P.A.s, Annual Business Meeting, Philadelphia Chapter	Accountants' Legal Responsibility
25	Demars B. Paquin, Chicago	National Machine Accountants Association, Kansas City Chapter	The Selection and Training of E.D.P. Personnel
25	John J. O'Donnell, Jr., New York	Kentucky Society of C.P.A.s, Louisville	Management Services Rendered by C.P.A.s
27	Herman C. Heiser, E.D.P.D.	General Electric Company, Forest Hills, N. Y.	Seminar on Budgets and Measurements
27	Philip L. Defliese, New York	Robert Morris Associates, Education Group, N. Y.	Timetable on an Audit
27	Lambert H. Spronck, San Francisco	N.A.A., Peninsula-San Jose Chapter	Making the Profit Plan Effective
28	J. Walker Voris, Los Angeles	Tabulating Methods Development Association, Los Angeles	New Developments in Integrated Data Processing
28	James J. Mahon, Jr., Philadelphia	Tax Executives Institute, Regional Meeting, Indianapolis	Current Tax Developments
28	Lambert H. Spronck, San Francisco	N.A.A., Seminar on Internal Profit Measurement and Appraisal, San Francisco	Return on Capital Employed
31	Felix Kaufman, E.D.P.D.	N.A.A., Philadelphia Chapter	E.D.P. and the Accountant
Apr.			
1	Lambert H. Spronck, San Francisco	National Machine Accountants Association, Conference on Busi- ness and Office Automation, San Francisco	Electronic Data Processing—Cost- Savings or More Management Reports?
7	Dallas M. Villines, Birmingham	American Institute of Industrial Engineers	Applications of Industrial Engi- neering to Coal Mining Opera- tions
8	Demars B. Paquin, Chicago	Marquette University, Special Seminar, Milwaukee	Steps Preparatory to an E.D.P. Installation

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
Apr.			
8	Francis A. Gallagher, Rockford	Kiwanis, Rockford Chapter	Recent Federal Income Tax Developments
10	James J. Mahon, Jr., Philadelphia	Controllers Institute of America, Philadelphia Chapter	Current Tax Developments
10	M. B. T. Davies, Tulsa	University of Wisconsin, Annual Accounting Conference	Responsibilities of the Internal Auditor
15	George A. Hewitt, Philadelphia	N.A.A., Elmira Chapter, Ithaca, N. Y.	Current Accounting Problems
15	James J. Mahon, Jr., Philadelphia	Edison Electric Institute and American Gas Association, Combined National Accounting Conference, Houston	Current Tax Developments
16	Herman C. Heiser, E.D.P.D.	N.A.A., Springfield, Mass., Chapter	Automatic Data Processing for Small and Medium Sized Companies
16	Norman J. Lenhart, New York	University of Illinois, Accountancy Club, Urbana, Ill.	Public Accounting
16	Lambert H. Spronck, San Francisco	American Society of Women Ac- countants, San Francisco Chapter	Management Services Offered to the Client by His C.P.A. or Auditor
17	Felix Kaufman, E.D.P.D.	N.A.A., Binghamton, N. Y., Chapter	Developments in Electronic Data Processing
17	Philip L. Defiese, New York	City College of New York, Accounting Society of Baruch School of Business	Report of Commissions on Stand- ards of Education and Experi- ence for C.P.A.s
19- 24	Alvin R. Jennings, New York	American Institute of Certified Public Accountants, Spring Council Meeting, Phoenix, Ariz.	Discussion of A.I.C.P.A. Matters
21	Joseph J. Hyde, San Francisco	Western Association of College and University Business Officers, Carmel, Cal.	Taxability of Reimbursed Expense Accounts
22	Demars B. Paquin, Chicago	National Machine Accountants As- sociation, Wabash Valley Chap- ter Annual Meeting, Terre Haute	You, Management and Your Future
22	William R. Hindman, Louisville	Institute of Internal Auditors, Louisville Chapter	Management Services by C.P.A.s and Their Effect on the Internal Auditor
22	Lambert H. Spronck, San Francisco	N.A.A., San Francisco Chapter	How Do Costs Enter the Picture When Selling Price Is Adjusted to Meet Competition?
23	John W. Conrad, Chicago	Von Steuben High School, Vocational Study Group, Chicago	A Career in Public Accounting
24	Louis S. Sorbo, Louisville	Tax Executives Institute, Louisville Chapter	Tax Aspects in Corporate Acquisitions and Dissolutions
24	Philip L. Defiese, New York	University of Tulsa, Accounting Conference	The Influence of S.E.C. on Ac- counting Principles and Proce- dures and/or Practice of Auditing
25	Earl W. Reynolds, Detroit	Wayne State University, School of Business Administration, Detroit	Recent Developments in Auditing Techniques
26	Lawrence E. Frazee, Rockford	Estate Planning Council, Rockford	Marital Deduction

Date	Speaker	Organization	Topic
Apr.			
29	Herman Stuetzer, Jr., Boston	Massachusetts Society of Certified Public Accountants, Estate Plan- ning Seminar, Springfield, Mass.	Property Included in the Gross Estate
29	Alvin R. Jennings, New York	American Society of Women Ac- countants, New York Chapter, Annual Public Relations Dinner	Discussion of A.I.C.P.A. Matters
May			
2	Felix Kaufman, E.D.P.D.	University of California (L. A.), Lake Arrowhead, Cal.	Management Control and Payoff from E.D.P.
3	Robert S. Warner, Los Angeles	California Society of Certified Public Accountants, Sacramento Chapter, and Sacramento State College, Ninth Annual Account- ing Institute	Long-Form Audit Report Prac- tices and Problems
5	William B. Keast, Philadelphia	New Jersey Society of Certified Public Accountants, Camden Chapter	Accountants' Legal Responsibility
6	William R. Hindman, Louisville	Louisville Chamber of Commerce	It's Everybody's Business
8	Herbert W. Bader, New York	Business Electronics Round Table, No. III Meeting, N. Y.	Systems and E.D.P.
12	Alvin R. Jennings, New York	New York State Society of Certified Public Accountants, Annual Dinner Meeting	Discussion of A.I.C.P.A. Matters
12	Joseph J. Hyde, San Francisco	Tax Executives Institute, San Francisco Chapter	Leasing vs. Buying
12	Paul D. Yager, Washington, D. C.	Council of Engineering Societies Secretaries, Cleveland	Tax-Exempt Organizations
13	James J. Mahon, Jr., Philadelphia	National Association of Bank Auditors & Controllers, Phila.	Current Tax Developments
15	Alvin R. Jennings, New York	Ohio State University, Institute of Accounting, Columbus	Accounting Research
15	Richard T. Farrand, Philadelphia	Pennsylvania Electric Association, Taxation Group of Accounting Conference, 50th Anniversary, Philadelphia	Procedures in Federal and Pennsylvania Tax Disputes
19	H. O. Reyburn, Tulsa	Oklahoma Small Business Clinic	Taxes As They Affect Small Business
20	Godfrey W. Welsch, Dallas	Petroleum Accountants Society of New Orleans	Current Development in Oil and Gas Taxation
20	Herman C. Heiser, E.D.P.D.	National Federation of Financial Analysts Societies, National Convention, Los Angeles	The Application of Computers to Scientific Management
20	Charles H. Towns, New York	N.A.A., Hartford Chapter	Activities of N.A.A. and Relations Between the National Organi- zation and the Chapters
21	John J. Fox, Detroit	N.A.A., Fox River Valley Chapter	Inventory Valuation and Our Changing Economy
21	James J. Mahon, Jr., Philadelphia	Wyoming Valley Tax Institute, Wilkes-Barre, Pa.	Taxes and Khrushchev
22	Demars B. Paquin, Chicago	National Machine Accountants Association, Milwaukee Chapter, Annual Meeting	Financial Considerations of Your National Association

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
May			
23	James P. Colleran, Cleveland	Western Reserve University, Cleveland	How To Study For Federal Tax and Law Sections of the C.P.A. Examination
23	Harry C. Zug, Philadelphia	Pennsylvania Institute of Certified Public Accountants, Philadel- phia Chapter, Annual Account- ing Conference	Auditing Report Standards as Prescribed by Statement of Auditing Procedure No. 23 of A.I.C.P.A.
23	H. O. Reyburn, Tulsa	Tulsa Geological Society	How Your Tax Picture Affects Exploration Drilling
27	M. B. T. Davies, Tulsa	Institute of Internal Auditors, Annual Conference, Detroit	Management Services—The Roles of the Internal Auditor and the Public Accountant
28	Louis C. Moscarello, New York	Controllers' Congress, National Retail Merchants' Association, Annual Convention	Asset Retention or Giveaway— Management Responsibility
June			
12	Joseph J. Hyde, San Francisco	Peninsula Estate Planning Council, Redwood City, Cal.	Property Valuation for Estate Plan- ning and the Estate Tax Return
13	Dorr W. Grover, San Francisco	California Tuberculosis and Health Association, General Session of Business Management, Santa Barbara	Budgeting and Accounting
18	Lawrence E. Frazee, Rockford	Rockford Die & Tool Co. Manufacturers' Association	Analyzing Your Costs
18- 20	Felix Kaufman, E.D.P.D.	American Management Association, Marketing Division, Orientation Seminar, New York	Integrated Data Processing
19	Godfrey W. Welsch, Dallas	Texas Association of Public Accountants, 1958 Convention, Lubbock, Texas	Net Operating Loss Deduction
19	William B. Keast, Philadelphia	Pennsylvania Institute of Certified Public Accountants, Reading Chapter	Accountants' Legal Responsibility
22- 24	Alvin R. Jennings, New York	California Society of Certified Public Accountants, Annual Meeting, Fresno	Discussion of A.I.C.P.A. Matters
23	Lambert H. Spronck, San Francisco	N.A.A., National Convention, Chicago	Using Return on Capital Employed for Profit Appraisal
24	R. Kirk Batzer, New York	New York State Society of Certi- fied Public Accountants, Annual Meeting, Lake Placid, N. Y.	Accountants' Liability with Re- spect to Financial Statements Filed with S.E.C.
26	Alvin R. Jennings, New York	Annual Conference of C.P.A.s of the Pacific Northwest, Seattle	Discussion of A.I.C.P.A. Matters

## Professional Accounting Society Appointments

The following partners and members of our staff are serving as officers or members of committees for the year 1958-59:

### CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

President . . . . . Claude R. Giles, S. F.

#### State Committees

Accounting and Auditing Procedures . . . . .	Floyd P. Karg, S. F.
Cooperation with Credit Grantors (Chairman) . . . . .	J. Wesley Huss, S. F.
Management Advisory Services . . . . .	Lambert H. Spronck, S. F.
Municipal Accounting Award (1959) . . . . .	Louis M. Bradley, L. A.
Planning Council . . . . .	Claude R. Giles, S. F.
Planning Council . . . . .	Robert S. Warner, L. A.

#### Los Angeles Chapter

First Vice President . . . . . Robert S. Warner

#### Committees

Accounting and Auditing Procedures . . . . .	Edwin B. Cassidy
Accounting Systems Subcommittee on Current Events (Chairman) . . . . .	John Johnson
Admissions (Vice Chairman) . . . . .	George R. Sullivan
Admissions . . . . .	Norman A. Erickson
Aircraft Industry Accounting . . . . .	John W. Kennedy, Jr.
Continuing Education . . . . .	James F. Falls, Jr.
Cooperation with Credit Grantors (Chairman) . . . . .	Herbert G. Bowles
Cooperation with Credit Grantors (Liaison Director) . . . . .	Robert S. Warner
Graduate Accounting Study Conference, 10th Annual Meetings and Programs (Chairman) . . . . .	Herbert G. Bowles
Meetings and Programs . . . . .	Robert S. Warner
Professional Conduct . . . . .	Louis M. Bradley
Speakers' Bureau . . . . .	Victor L. Liotta
Systems and Procedures . . . . .	Robert S. Warner
Taxation . . . . .	J. Walker Voris
Taxation . . . . .	Charles A. Pearson
Taxation, Subcommittee on Liaison with Internal Revenue Service (Chairman) . . . . .	Harold F. Wilber
Technical Discussion Luncheons, Downtown (Chairman)	Harold F. Wilber
Technical Discussion Luncheons, Downtown . . . . .	Norman A. Erickson
Technical Discussions, Whittier (Liaison Director) . . . . .	Robert S. Warner

#### San Francisco Chapter

Director (1958-60) . . . . . J. Wesley Huss

#### Committees

Accounting and Auditing Procedures (Vice Chairman) . . . . .	Floyd P. Karg
Admissions . . . . .	David A. Biasotti



Cooperation with Credit Grantors (Liaison Director)	J. Wesley Huss
Educational Standards and Student Relations	Donald G. Perry
Governmental Accounting and Auditing	C. John McDowell
Legislation (Liaison Director)	J. Wesley Huss
Professional Conduct	Donald W. Schroeder
Taxation	Joseph J. Hyde

DISTRICT OF COLUMBIA  
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

*Committees*

Insurance (Chairman)	Paul D. Yager
Taxation	Paul D. Yager

ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

*State Committees*

Admissions	Robert W. Myers, Rockford
Auditing Procedures and Accounting Principles	Edmund A. Staub, Chicago
Chapter Activities	Louis J. Schaumburg, Rockford
Education and Training	George H. Kern, Chicago
Local Governmental Accounting	Lawrence E. Frazee, Rockford
Public Service and Information	Edward J. Rudnicki, Rockford
Technical Meetings	J. Warren Rowland, Rockford

*Northern Illinois Chapter Committees*

Chapter Activities, Delegate to	Louis J. Schaumburg, Rockford
Legislative	Lawrence E. Frazee, Rockford
Meetings (Chairman)	J. Warren Rowland, Rockford
Meetings	Francis A. Gallagher, Rockford
Public Service and Information (Chairman)	Edward J. Rudnicki, Rockford

KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

President	Harold W. Glore, Louisville
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*Committees*

Accounting and Auditing	Frank G. Overton
Advisory Services to Clients	William R. Hindman
Assistance to Colleges and Universities	Louis S. Sorbo
Attendance and Reception	Earl B. Wiggins, Jr.
Editorial (Chairman)	Thomas K. Baer
Education (Chairman)	J. Martin Conder
Entertainment	Earl B. Wiggins, Jr.
Federal Taxation	Louis S. Sorbo
Institute on Accounting	J. Martin Conder
Library	William R. Hindman
Management Services	William R. Hindman
Meetings	Curtis J. French
Natural Business Year	Frank G. Overton
Publications and Publicity (Chairman)	Curtis J. French
Publications and Publicity	Orion T. Eskew, Jr.

## MARYLAND ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

*Committees*

By-Laws . . . . .	Angelo Nastasi
Legislation and Review of State CPA Law . . . . .	Harold C. Chinlund
Management Services (Chairman) . . . . .	John A. Engel, Jr.
Management Services . . . . .	Angelo Nastasi
Program (Chairman) . . . . .	Harold C. Chinlund

## MASSACHUSETTS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

*Committees*

By-Laws . . . . .	Joel D. Harvey
Cooperation with Bankers (Chairman) . . . . .	Edward W. Higbee
Cooperation with Massachusetts Hospital Association, Subcommittee for (Chairman) . . . . .	Kendall B. Murray
Estate Planning (Chairman) . . . . .	Herman Stuetzer, Jr.
Executive (1958-60) . . . . .	Herman Stuetzer, Jr.
Insurance . . . . .	Joseph B. Fyffe
Subcommittee on Accountants Liability Insurance (Chairman) . . . . .	Joseph B. Fyffe
Management Services . . . . .	Francis E. Moore
Massachusetts Certificate of Condition, Subcommittee on . . . . .	Edward W. Higbee

## MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Director . . . . .	Clifford J. Code
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*Committees*

Accounting and Auditing . . . . .	Edmund A. Grant
Auditing (Chairman) . . . . .	Ernest M. MacDonald
Auditing . . . . .	Robert M. Hutchison
Auditing . . . . .	Joseph A. Sickon
Federal Taxation . . . . .	Eldin H. Glanz
Membership . . . . .	Earl W. Reynolds
Personnel . . . . .	Laurence J. Wilson
Professional Ethics . . . . .	Norman A. Bolz
Relations with Educators . . . . .	Edward E. Bolle
State Taxation . . . . .	Keith A. Carabell

## MISSOURI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Member of Council (1958-61) . . . . .	Victor A. Frederick
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*St. Louis Chapter Committees*

Accounting and Auditing Procedures (Chairman) . . . . .	Thomas J. Snowden
Meetings (Chairman) . . . . .	Carlin P. Oliphant

## NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

*Committees*

Auditing and Accounting Principles and Procedures . . . . .	R. Kirk Batzer, N. Y.
Auditing and Accounting Principles and Procedures . . . . .	Mark E. Richardson, N. Y.
Federal Taxation . . . . .	Ernest L. Blackwell, N. Y.
Professional Conduct . . . . .	W. Homer Conkling, N. Y.

## NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Director . . . . . R. Kirk Batzer

*Committees*

Accountants Practice, Administration of . . . . . Harold I. Schlenker  
 Accounting Machinery (Chairman) . . . . . John J. O'Donnell, Jr.  
 Accounting Procedure . . . . . George S. Shegog  
 Admissions . . . . . William J. Neary  
 Air Transport and Airport Accounting . . . . . John R. Berthoud  
 Appointments, Advisory Committee on . . . . . Raymond G. Ankers  
 Auditing Procedure . . . . . Philip L. Defiese  
 Awards . . . . . Charles H. Towns  
 Banks and Savings Institutions Accounting . . . . . Reed L. Colegrove  
 Bar, Cooperating with the . . . . . Mark E. Richardson  
 Chapter Operations . . . . . R. Kirk Batzer  
 Committee Operations . . . . . Raymond G. Ankers  
 Continuing Education (Chairman) . . . . . Philip L. Defiese  
 Contractors' Accounting . . . . . J. Edward Burke  
 Cost Accounting and Inventory Methods . . . . . Alfred Krupka  
 Education and Personnel . . . . . John Leighton  
 Employee Welfare Plans and Funds . . . . . George E. Doty  
 Estate Planning . . . . . Norman E. Auerbach  
 Federal Taxation . . . . . Herbert H. Schueller  
 Foreign Governments Taxation . . . . . Julian O. Phelps  
 Foreign Trade Accounting . . . . . Robert D. Preston, Jr.  
 History . . . . . William J. Neary  
 Institutional Accounting . . . . . Louis D. Kork  
 Insurance Companies and Agency Accounting  
 (Chairman) . . . . . Julian R. Maher  
 Investment Bankers & Security Dealers, Cooperation  
 with (Chairman) . . . . . Louis Rappaport  
 Legislation (Chairman) . . . . . Mark E. Richardson  
 Management Advisory Services . . . . . Theodore R. Pleim  
 Meetings . . . . . R. Kirk Batzer  
 Subcommittee for Annual Conference . . . . . R. Kirk Batzer  
 Natural Business Year . . . . . Margaret M. White  
 New Members . . . . . Herbert W. Bader  
 New York State Taxation . . . . . Oliver O. Cromwell  
 Professional Conduct . . . . . George E. Doty  
 Publications . . . . . Carl J. Simon  
 Public Relations . . . . . Mark E. Richardson  
 Public Relations Representatives, Richmond Chapter . . . . . Robert M. Leng  
 Public Utilities Accounting . . . . . Robert W. Egner  
 Retail Accounting (Chairman) . . . . . Louis C. Moscarello  
 State Authorities, Cooperation with the . . . . . Mark E. Richardson  
 State Controller, Advisory Committee to the . . . . . Charles H. Towns  
 State Taxation, Other Than New York . . . . . Herbert Brown  
 Statistical Sampling to Accounting and Auditing,  
 Advisory Committee on Application of . . . . . Thomas J. Cogan

## OHIO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

*State Committees*

C.P.A. Legislation . . . . .	Fred C. Dennis, Cincinnati
Constitution (Vice Chairman) . . . . .	Abner J. Starr, Cincinnati
Cooperation with Bankers & Credit Men (Chairman) . . . . .	Willis K. Waterfield, Cincinnati
Management Services . . . . .	Raymond J. Leisner, Cincinnati
Nominating . . . . .	Fred C. Dennis, Cincinnati

*Cincinnati Chapter*

President . . . . .	Robert W. Davis
Director . . . . .	Raymond J. Leisner

*Committees*

Constitution (Chairman) . . . . .	Abner J. Starr
Cooperation with Bankers & Credit Men (Chairman) . . . . .	Willis K. Waterfield
Cooperation with Bar Association . . . . .	Robert W. Davis
Estate Planning . . . . .	Eugene F. Warren
Luncheon . . . . .	Thomas A. Haeussler
Management Services (Chairman) . . . . .	Raymond J. Leisner
Meetings and Program—Social . . . . .	Paul M. Whitman
Press and Publicity . . . . .	Stanley E. Walker

*Cleveland Chapter*

Director . . . . .	Edwin P. Noell
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*Committees*

Accounting Education . . . . .	James L. Wamsley
Auditing (Chairman) . . . . .	Katherine E. Pfeifer
Civic Affairs . . . . .	John P. Buleza
Cooperation with Bankers . . . . .	Chester J. Kree
Management Services (Chairman) . . . . .	A. W. Lindstrom
Program . . . . .	John C. Padgett
Public Relations . . . . .	Robert W. Homan
Services to Small Practitioners . . . . .	James P. Collieran

## OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

*State Committee*

Registration and Finance Committee for 1958 Annual Meeting (Co-Chairman) . . . . .	C. H. Catlin, Tulsa
Registration and Finance Committee for 1958 Annual Meeting (Co-Chairman) . . . . .	P. S. Lovoi, Tulsa

*Tulsa Chapter Committee*

Public Relations . . . . .	P. S. Lovoi
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## PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

President . . . . .	Harry C. Zug, Philadelphia
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*"C.P.A. Spokesman" Editorial Board*

Associate Editor . . . . .	Raymond E. Graichen
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*Committees*

Annual Meeting (Chairman)	Edward P. Mullen
Annual Meeting	Robert S. Haas
Auditing and Accounting Procedures	Gustave F. Schweitzer
Budget and Finance	John L. Moneta
Cooperation with Bankers	Roger F. Burd
Cooperation with the Bar	James J. Mahon, Jr.
Cooperation with Commercial Credit Grantors	Leon Daniels
Cooperation with State Board of Examiners	Thomas G. Aitken, Jr.
Education (Chairman)	Philip J. Taylor
Education	William B. Keast
Executive (Chairman)	Harry C. Zug
Legislation (Advisory Subcommittee)	George A. Hewitt
Legislation	Britton H. Miller
Local Government Auditing and Accounting	Price G. Righter
Management Services	William G. Casey
Membership (Philadelphia Chapter Subcommittee)	Lloyd S. Mortimer
Nominations	John L. Moneta
Past Presidents	George A. Hewitt
Past Presidents	T. Edward Ross
Planning	Glenn O. Petty
Taxation	Richard T. Farrand

*Philadelphia Chapter Committees*

Advisory—on Programs	Edward P. Mullen
Continuing Education (Chairman)	William B. Keast
Cooperation with Credit Grantors	Rufus F. Alkins
Cooperation with Educational Institutions (Vice Chairman)	Robert S. Haas
Executive	Walter T. Brown
Executive	William B. Keast
General Meetings (Vice Chairman)	Walter T. Brown
Newspaper and Magazine Publicity	Thomas E. Heney, Jr.
Tax Meetings (Chairman)	Edward F. Habermehl
Technical Meetings	John A. McConnell, Jr.

*Pittsburgh Chapter*

President	Ralph P. Kulzer
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*Committees*

Annual Dinner Dance (Chairman)	Edward B. Hastings
Junior Achievement of Pittsburgh (Chairman)	Joseph P. Wallace
Speakers' Bureau (Chairman)	Kenneth P. Johnson

## TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

*State Committees*

Convention (Chairman)	J. K. S. Arthur, Dallas
Cooperation with Educational Institutions, Planning Subcommittee	Carl E. Patton, Houston

Institute on Taxation . . . . .	Godfrey W. Welsch, Dallas
Professional Ethics, Policy Subcommittee . . . . .	J. K. S. Arthur, Dallas
Program Committee for Annual Federal Tax Conference (1958) . . . . .	Godfrey W. Welsch, Dallas

*Dallas Chapter Committees*

Audit Program . . . . .	Stephen L. Bires
Finance Committee . . . . .	A. B. Clark
Professional Ethics (Chairman) . . . . .	J. K. S. Arthur
Taxation (Chairman) . . . . .	Godfrey W. Welsch

## WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Auditor . . . . .	Robert L. Aiken
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## AMERICAN ASSOCIATION OF HOSPITAL ACCOUNTANTS

Education Committee . . . . .	Kendall B. Murray, Boston
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## AMERICAN SOCIETY OF WOMEN ACCOUNTANTS

*New York Chapter*

Director (1958-60) . . . . .	Margaret M. White
Membership Committee (Chairman) . . . . .	Margaret M. White

## AMERICAN WOMAN'S SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

First Vice-President . . . . .	Katherine E. Pfeifer, Cleveland
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## INSTITUTE OF INTERNAL AUDITORS

*National Committee*

Research . . . . .	M. B. T. Davies, Tulsa
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*Cleveland Chapter*

Board of Governors . . . . .	John C. Padgett
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*Tulsa Chapter*

Governor . . . . .	M. B. T. Davies
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## NATIONAL ASSOCIATION OF ACCOUNTANTS

*National*

Treasurer . . . . .	Charles H. Towns, N. Y.
Director . . . . .	Jasper Durkee, N. Y.

*Committee*

Investment (Vice-Chairman) . . . . .	Charles H. Towns, N. Y.
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*Birmingham Chapter*

Education, Director . . . . .	William W. Ragsdale
Special Activities (Employment), Associate Director . .	Bill Goodner



*Boston Chapter*

Auditing Committee, Chairman . . . . . James Neely, Jr.

*Cleveland Chapter*

Manuscript Committee . . . . . John C. Padgett

*Dallas Chapter*

Awards . . . . . Godfrey W. Welsch  
 Education, Associate Director . . . . . Donald E. Beattie  
 Member Attendance, Director . . . . . Robert A. Pill  
 Program, Director . . . . . Godfrey W. Welsch

*Detroit Chapter*

Publicity, Director . . . . . John J. Fox

*Long Island Chapter*

Program, Director . . . . . Theodore R. Pleim, N. Y.  
 Program, Associate Director . . . . . Joseph P. O'Rourke, N. Y.

*Los Angeles Chapter*

Secretary . . . . . Frank Y. Garrison, Jr.

*Louisville Chapter*

Program, Director . . . . . J. Martin Conder

*New York Chapter*

Education, Director . . . . . J. Edward Burke  
 Member Attendance, Associate Director . . . . . John J. O'Donnell, Jr.  
 Member Attendance, Associate Director . . . . . Alfred Krupka

*Philadelphia Chapter*

President . . . . . James E. Meredith, Jr.  
 Advisory Committee (Membership) . . . . . George A. Hewitt  
 Education, Associate Director . . . . . Harold G. Hunsberger

*Rockford Chapter*

Publications, Associate Director . . . . . J. Warren Rowland

*Tulsa Chapter*

Director . . . . . Thomas W. McKibben  
 Associate Director . . . . . Paul S. Lovoi

*Washington, D. C., Chapter*

Publicity, Director . . . . . Paul W. Yager

## NATIONAL MACHINE ACCOUNTANTS ASSOCIATION

Executive Vice President . . . . . Demars B. Paquin, Chicago

*Boston Chapter*

Board of Directors . . . . . Francis E. Moore  
 Committee on Seminars (Chairman) . . . . . Francis E. Moore

## Notes

### International Firm

The following partners from abroad were visitors to New York in May and attended the meetings of the International Firm:

Mr. Benson . . . . .	London
Mr. Buzzell . . . . .	Montreal
Mr. Carter . . . . .	Toronto
Mr. Currie . . . . .	Montreal
Mr. Dale-Harris . . . .	Toronto
Mr. Casas-Alatriste H.	Mexico City
Mr. David . . . . .	Paris
Mr. Greaves . . . . .	Brussels
Mr. Hayes . . . . .	Montreal
Mr. Nelson . . . . .	Montreal
Mr. Pears . . . . .	London
Mr. Perfect . . . . .	London

Many of these partners called at other United States offices during their visit in this country.

### United Kingdom

Other visitors from London were Mr. Gidley-Kitchin in May and Mr. Shearer in June.

### Mexico

Mr. Batzer was a visitor in Mexico City in April.

### EDP Division

On April 7-9, 1958, Mr. Heiser acted as Chairman of an American Management Association Orientation Seminar on "E.D.P. for Top Executives." Messrs. Felix Kaufman and Michael Shegda were also

speakers at the Seminar. On June 18-20, Mr. Heiser was Chairman of an A.M.A. Marketing Division Orientation Seminar on "Practical Uses of Scientific Tools in Solving Marketing Problems."

Mr. Felix Kaufman spoke on "Auditing Electronic Records" at the Business Electronics Round Table, Philadelphia Chapter, on April 16, 1958.

### Birmingham Office

Mr. Halloran has been reappointed a member of the Birmingham Chamber of Commerce's Committee of 100.

Mr. Ragsdale is serving on the Industrial Division of the United Appeal campaign.

Mr. Frank H. Gafford participated in panel discussions on "Systems Accounting" at Howard College, Birmingham and on "Utilization of Punch Card Equipment" at an IBM Seminar for Certified Public Accountants.

In April, 1958 Mr. K. R. Shutts participated in a panel discussion of "Preparation and Use of Work Papers in an Audit Engagement" at the University of Alabama, School of Commerce and Business Administration. In May, he participated in a panel discussion for accounting majors at Birmingham Southern College.

### **Boston Office**

On January 16, 1958 Mr. Harvey appeared as a representative of the public accounting profession at a Job Counseling Assembly held at Babson Institute.

Mr. Higbee has been elected Treasurer of the Wompatuck Community Center, Hingham, Massachusetts.

Mr. Hunter has been re-elected Treasurer of the Greater Boston Chamber of Commerce for an eighth term.

Mr. Stuetzer has been re-elected Selectman of the Town of Hingham for a three-year term. He is also Chairman of the State Affairs Committee of the Greater Boston Chamber of Commerce and a member of the Committee for Membership Drive. In addition, Mr. Stuetzer is a member of the United Fund Committee for "Special Cultivation."

Mr. Walker is serving as Assistant Treasurer of Newton-Wellesley Hospital. On May 12, 1958, he participated in a panel discussion of "The Concept of Management Services" presented by the Massachusetts Society of Certified Public Accountants.

Mr. Carl A. Bader has been elected Class President of the Bentley School of Accounting and Finance.

Mr. Yves H. Buhler was elected a Director of the Harvard Club of Boston for a three-year term.

Mr. Vincent R. Collins participated in a membership drive for the

Greater Boston Chamber of Commerce.

At a joint meeting of the Massachusetts Society of CPA's, Committee on Cooperation with Bankers and the Robert Morris Associates, Committee on Cooperation with CPA's on January 6, 1958, Mr. Joseph B. Fyffe served on a panel to respond to bankers' questions. In addition, Mr. Fyffe has been appointed to a committee to make a special study for the Town of Wellesley.

Mr. Roderick K. Macleod has been re-elected Treasurer of the Second Parish Church of Hingham.

At the invitation of the Secretary of the Association, Mr. Howard N. Smith attended the 30th Annual Meeting of the Southern Association of College and University Business Officers on March 30-April 1, 1958.

Mr. William R. Wilson was re-elected Selectman for the Town of Wrentham. Mr. Wilson recently became a member of the American Institute of Certified Public Accountants.

The Boston Office Outing was held at the Mayflower Hotel in Manomet on June 16, 1958. The day's events, consisting of sports, buffet luncheon, dinner, entertainment and dancing, were enjoyed by the entire staff and guests.

### **Chicago Office**

At its Commencement Exercise on June 21, 1958, Antioch College presented a special citation to the

Firm in recognition of its cooperation with the Antioch work-study program. The citation reads in part: "Antioch College is proud to have the accountants of Lybrand, Ross Bros. & Montgomery as members of its field faculty. In awarding this Citation, Antioch honors itself and acknowledges its debt of gratitude for participation in its educational endeavor." Mr. John W. Conrad, Manager of our Chicago Office, accepted the Citation for the Firm.

Mr. William Merkle, sixty-nine, the oldest member of the Chicago office organization in point of service, died of a heart attack on January 27, 1958. "Bill" started with the Chicago office on December 12, 1918. He received his C.P.A. certificate on January 1, 1924. In his nearly thirty-seven years of service prior to retirement on April 1, 1955, he served most of our Chicago clients at one time or another and no engagement was too arduous or unpleasant to forestall Bill's cheery greeting or other exchange of pleasantries with his many friends. He was liked by all.

He is survived by his widow, Clara, and two sons, one of whom followed in his father's footsteps and became a C.P.A., although not currently in public practice.

Mr. Dent represented the firm in the supervision of the election and crowning of South Shore Country Club's Horse Show Queen, a charity event.

Mr. Wabel is Secretary and member of the Board of Governors of the Oak Park-River Forest Community Chest. He is also serving as Chairman of Finance Section, Business Division for the 1958 Fund Campaign for Provident Hospital & Training School.

Mr. Albert H. Degener was a member of the Committee for the National Association of Accountants' International Cost Conference in Chicago in June, 1958.

Mr. William A. Kane passed the C.P.A. examinations in the State of Montana and Messrs. Ronald K. Wikrent and Louis H. Peterson passed the Illinois C.P.A. examination.

On March 31, 1958 a farewell luncheon was held at the Union League Club for Mr. William O. Hillberg, who retired after eighteen years of service. He was presented with a fishing rod and reel to help occupy his spare time when he is rooting for the Chicago Cubs.

#### Cincinnati Office

Mr. Waterfield served as Chairman of a technical session given by the Cincinnati Chapter of the National Association of Accountants on April 17, 1958. He is currently Vice Chairman of the Long-Range Planning Committee of the Mt. Washington Presbyterian Church and also Chairman of the Certified Public Accountants Solicitation Group for the 1958 United Fine Arts Fund Campaign.

Mr. Edward L. Fischer was a member of the Credentials Committee for the Regional Conference of the Toastmasters Club in Cincinnati.

Mr. Norman J. Lew is serving as Treasurer of B'nai Brith Northern Hills Lodge No. 2168.

Mr. Abner J. Starr is serving as Chairman of the Professional Group of the Membership Committee of the Cincinnati Association of Credit Men.

Mr. Eugene F. Warren was elected Secretary of the Optimist Club of Cincinnati for 1958-1959. He has been serving as Chairman of the Auditing Committee for the Third District—Optimists International. On March 2 and 9, 1958 Mr. Warren spoke on "Taxes" over Radio Station WCKY. The programs were sponsored by the Cincinnati Chapter of the Ohio Society of CPA's.

#### **Cleveland Office**

As a member of a panel, Mr. James P. Collieran answered questions on federal income taxes telephoned in by listening radio audiences on March 13 and 20, 1958. The programs were sponsored by the Ohio Society of Certified Public Accountants and Radio Station KYW. Mr. Collieran is also serving on the Cleveland Committee for the International Conference of the National Association of Assessing Officers.

#### **Dallas Office**

Mr. Welsch was Dallas Chapter Chairman of the Committee on Arrangements for the trip to the National Convention of the National Association of Accountants. At the 24th Annual Federal Tax Forum, sponsored by the Mid-Continent Oil & Gas Association, he acted as a Discussion Leader. In addition, Mr. Welsch is presently serving as President of the Hillcrest Estate Association.

Messrs. Goetz M. Harwig and Robert A. Pill passed the November, 1957 C.P.A. examination.

#### **Detroit Office**

Mr. Bolz is a member of the 1958 Convention Committee of the American Institute of Certified Public Accountants.

Mr. Fox has been elected Director of Employment for the Systems and Procedures Association of America, Motor City Chapter, for 1958-1959.

Messrs. Franklin A. Curtis and Gregory S. Donovan have become members of the Michigan Association of Certified Public Accountants.

Mr. Keith Carabell has been awarded a C.P.A. certificate and Messrs. Jerome Halperin and David Mandell Certificates of Examination for passing the November, 1957 C.P.A. examinations.

#### **Houston Office**

Mr. Crouch was a guest of honor at the May, 1958 meeting of the Houston Chapter of the Texas Society of Certified Public Account-

ants and received a past president's plaque.

Mr. K. P. Franklin was recently awarded his C.P.A. certificate and admitted to membership in the American Institute of Certified Public Accountants.

Mr. Carl E. Patton has been appointed Chairman of the Ways and Means Committee of the Propeller Club of the United States Port of Houston.

#### Los Angeles Office

Mr. Moore has been elected Treasurer of the Wilshire Macbeth Committee, Los Angeles.

Mr. Warner is a member of the Membership Development Committee of the National Association of Manufacturers.

Mr. Charles R. Cook is serving as Lt. Governor of Optimist International.

Mr. James F. Falls, Jr., is Chairman of the Alumni Association of the First Church of Religious Science, Burbank.

Mr. Bardon Magannis has been awarded his C.P.A. certificate.

Mr. James M. Nicolai is Chairman of the Speakers Bureau of the Los Angeles Junior Chamber of Commerce.

Mr. Fred E. Rhodes is in his fourth year of a six-year term as Member of the Board and Treasurer of Southern California Presbyterian Homes. He is also a member

of the State and Local Government Committee of the Los Angeles Chamber of Commerce.

Mr. LeRoy J. Rooks has become a member of the American Institute of Certified Public Accountants.

Mr. Richard W. Russell is serving as Treasurer of the First Christian Church of North Hollywood for the second year.

Mr. J. Walker Voris has been elected Vice-President of the Los Angeles Chapter of Systems and Procedures Association of America for the year 1958-1959.

#### Louisville Office

Mr. Glore is serving as a member of The Finance Committee for Louisville Deaf-Oral School of the Kiwanis Club of Louisville.

Mr. Thomas K. Baer is teaching Advanced Accounting at Bellarmine College. He is also Vice Chairman of the Bids-for-Kids Telethon sponsored by the Louisville Junior Chamber of Commerce.

Mr. J. Martin Conder is serving as Treasurer of the Louisville Urban Self-Study Committee.

Mr. Curtis J. French acted as Chairman and Moderator at the Spring Discussion Forum on "Inventory Control in Time of Economic Stress" presented by the Louisville Chapter of the National Association of Accountants on April 25, 1958.



### **New York Office**

Mr. Bell was elected to the Board of Governors at the annual meeting of the Accountants' Club.

Mr. Burke has been reappointed to the Government Contracts Committee of the National Association of Manufacturers.

Mr. Campbell is serving on the Downtown Accountants Committee of the National Foundation for Infantile Paralysis in connection with its 1958 campaign.

Mr. Defiese has been appointed Adjunct Professor in the Department of Accounting, Finance and Management of Pace College.

Mr. Doty is a member of the Finance & Color Guard Committee of the Sons of the American Revolution.

At a New York City Cancer Committee luncheon on April 1, 1958, Messrs. Knoll and Sinclair were presented with plaques for ten years of service on campaigns.

Mr. Mirandy is in charge of the Certified Public Accountants Group for the 1958 Fund Drive of the United Epilepsy Association.

Mr. Richardson is serving on the Committee on Taxation of the New York Chamber of Commerce.

Mr. Schaffer is again serving as Chairman of the Finance Committee of the Young Men's Christian Association, Montclair, N. J.

Mr. Shegog has been re-elected President of the Board of Trustees of the Orange Valley Community Center.

Mr. Sinclair was re-elected a Vice-President of the Accountants' Club at a recent meeting of the Board of Governors.

Mr. James B. Alfano, Jr. is serving as Vice-President of the Bergen County Chapter of Pace Alumni Association.

At a meeting of the Federal Tax Forum on January 23, 1958, Mr. Dallas Blair-Smith participated as a member of a panel which discussed Internal Revenue Code Subchapter C.

On May 14, 1958, Mr. Robert L. Burton was a panelist at a joint meeting of the Nassau-Suffolk Chapter of the New York State Society of Certified Public Accountants and the Long Island Chapter of the National Association of Accountants. His topic was "Budgeting and Forecasting."

Mr. Carl S. Forcheskie is serving as President of the Brush Park Heights Civic Association of Mt. Vernon.

Mr. Thomas K. Fox has been appointed to the Faculty of St. Francis College, Evening Business Division.

Mr. Arno R. Kassander is serving as a Director of the Larchmont Community Chest.

Mr. Louis C. Moscarello is teaching auditing in the evening session at Pace College.

On May 8, 1958, Mr. John J. O'Donnell, Jr. moderated the discussion period at a technical meeting of the New York State Society

of Certified Public Accountants on "A Case Study on the Use of An Accounting Machine to Process Accounts Payable and Cash Disbursements."

Mr. Julius L. Ross is serving as Treasurer of Columbia College Class of 1953. He is also a Committee Member for the Columbia College Fund.

### Philadelphia Office

Mr. Ross was recently installed as an honorary member of the Alpha Phi Chapter of Beta Alpha Psi, National Accounting Fraternity, at Temple University.

Mr. Burd has been elected to the Board of Trustees of Rider College, Trenton, N. J.

Mr. Farrand is a member of the Committee on Taxation and Government Expenditures of the Pennsylvania State Chamber of Commerce.

On May 15, 1958 Mr. Hewitt was Chairman of a technical session on "Financial Planning and Control" presented by the Philadelphia Chapter of the National Association of Accountants at their annual meeting.

Mr. Zug has been re-elected a member of the Children's Advisory Division of Health and Welfare Council, Inc., Philadelphia, for 1958-1960.

Mr. Raymond E. Graichen moderated a panel discussion on "Pennsylvania Taxes" at the annual meeting of the Pennsylvania Insti-

tute of Certified Public Accountants.

Mr. James E. Meredith, Jr. has been elected President of the Harvard Business School Club of Philadelphia and is serving on the Alumni Association Council of the Harvard Business School Alumni Association. At a meeting of the Business Electronics Round Table, Philadelphia Chapter, he spoke on "Auditing Electronic Records."

On April 14, 1958 Mr. Kenneth J. Mutzel participated as a panel member on "Associations Taxed as Corporations" sponsored by The Joseph H. Reese Agency of The Penn Mutual Life Insurance Co.

On June 2, the Philadelphia office held its annual one-day marathon of fun, frolic and fatigue, commonly referred to as the "Stag Outing."

The scene was the Tavistock Country Club, Haddonfield, New Jersey, and the confusion started at eight A.M. with golf, soft ball, volley ball, quoits and other activities which continued until some time after dinner.

The attendance consisted of most of the male members of the Philadelphia staff and office, guests from our New York, Cincinnati and Pittsburgh offices, and alumni of the Philadelphia office now connected with client organizations.

Philip J. Taylor acted as M.C. and did a most commendable job.

As usual, awards were made for a various number of reasons. The Clarence R. Haas Trophy, a silver

bowl, for the low net score in the medal play golf tournament was won by Charles F. Eichman.

The Adam Averell Ross Golf Memorial Trophy for the 1957 matchplay tournament was awarded to Leon Daniels, and a small silver cup will be presented to him for his permanent possession. He won the playoff of the eight low-gross scorers in last year's tournament for The Haas Trophy. The Ross Trophy was put in play by T. Edward Ross in 1938 in memory of his brother.

Another feature of the occasion was the presenting to James E. Witman of a suitably-engraved wrist watch in recognition of his having completed twenty-five years of service with the Firm.

Observations made on June 2 and the following day indicated that a good time was had by all.

#### **Pittsburgh Office**

Mr. Bower is Vice-Chairman of the Pittsburgh Business Show Committee for 1958-1959.

At the Pennsylvania State University Twelfth Annual Tax Seminar, May 24-28, 1958, Mr. James E. Gelbert acted as Toastmaster at the banquet and also was a panelist on "Corporation Taxes." For the year 1958-1959, Mr. Gelbert will serve as Chairman of the Pennsylvania Tax Institute and Chairman of the Pittsburgh Tax Club.

The annual Golf Outing of the Pittsburgh office was held at Charters Country Club on June 6, 1958.

In a field of forty golfers and near golfers, Ralph Crosby won the Pittsburgh office cup for low gross and Jim Montgomery the Calloway low net prize. Guest winners included Pittsburgh staff alumni Jack Kime and Ross Pontius for low gross and low net, respectively.

The following members of the Pittsburgh staff have successfully passed the CPA examinations held last November:

Ralph R. Crosby, Jr.	George E. Gibson
George R. DeLancey	Steven L. Marlovits
Leonard W. Fritz	Donald R. Sarp
Leonard Wood, Jr.	

#### **Rockford Office**

Mr. Meyers served as Chairman of the Finance Committee and Mr. Francis A. Dooley served as Chairman of the Gates and Admission Committee for the Rockford Chamber of Commerce Melody Fair Music Festival in May, 1958. Members of the staff assisted as ticket takers.

On March 25, 1958 Messrs. J. Warren Rowland and Edward J. Rudnicki participated in a forum discussion on "Taking Inventory of Inventory Practices," sponsored by the Rockford Chapter of N.A.A.

Messrs. J. Warren Rowland and Louis J. Schaumburg participated in Financial Management Conferences at the University of Wisconsin.

Mr. Stuart A. Schweisberger has been chosen Jaycee of the Year by the Rockford Junior Association of Commerce.

Messrs. Stuart A. Schweisberger and Charles H. Montgomery have been accepted for membership in the Illinois Society of Certified Public Accountants.

Mr. Howard L. Swiger was a member of the Reception Committee for the International Cost Conference of the National Association of Accountants in Chicago.

#### **San Francisco Office**

Mr. Huss is Vice-Chairman of the 1959 Annual Meeting Committee of the American Institute of Certified Public Accountants. On April 23, 1958 he was a Workshop Leader on "American Institute Auditing Bulletin No. 27" at a meeting of the San Francisco Chapter of the California Society of Certified Public Accountants.

On April 24-25, 1958, Mr. Lambert H. Spronck acted as Chairman of an American Management Association Finance Orientation Seminar on "Effective Utilization of Cost Accounting Systems."

Mr. Kendal P. Dazey has been elected Vice-President of the San Francisco Chapter of Systems and Procedures Association of America for 1958-1959.

#### **St. Louis Office**

Mr. Snowden has been elected to the Board of Directors of City House—Barat Hall Association for a term of three years beginning May 1, 1958.

Mr. John Dudenhoffer has been

elected to the Board of Freeholders of Overland, Missouri.

Mr. Robert H. Miller has been elected to membership in the National Association of Accountants.

Mr. Carlin P. Oliphant has been appointed Chairman of the Publications Committee of the St. Louis Chapter of Systems and Procedures Association.

#### **Seattle Office**

Mr. B. V. Krummel is acting as Class Agent for the 1958 Harvard Business School Fund.

#### **Tulsa Office**

Mr. McKibben is serving as Assistant Secretary, Member of the Board, and Chairman of the Finance Committee of the Tulsa Y.M.C.A. He is also on the Board of Directors of the Tulsa County Red Cross Chapter and on The Budget Committee of the Tulsa Community Chest. On May 19, 1958 he served as Moderator at the Oklahoma Small Business Clinic.

In March, 1958 Mr. McKibben and Mr. M. B. T. Davies participated in the University of Tulsa Small Business Men's Forum on "Control of Costs."

Mr. Reyburn is serving as Treasurer of the First Baptist Church.

Mr. M. B. T. Davies is Director of Seminars in Advanced Management at the University of Tulsa.

Mr. Leslie A. Schlapkohl passed the November, 1957 C.P.A. examinations.

## The L. R. B. & M. Journal

Published by Lybrand, Ross Bros. & Montgomery, for distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvements; to encourage and maintain a proper spirit of cooperation and interest, and to help in the solution of common problems.

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